World news Business summary ...

Sikhs take Telefonica campaign extends of violence US share to Delhi offering

Police in New Delhi launched a TELEFONICA, Spanish massive hunt after Sikh gunmen went on a murder rampage in the heart of the Indian capital killing 12 day, is extending its US share offerpeople and injuring 22 in the worst ing to a maximum of about \$375 in extremist attack the city has seen view of heavy demand. Page 21

The sharp escalation of Sikh extremist violence started over the weekend in Punjab where 15 people were reported killed after a series of separate incidents. The wave of terrorist activity suggests a renewed extremist tactic to stop a police crackdown on Sikh extremists in Punjab, now under direct rule from New Delhi, Page 20

Seoul siege

Hundreds of students continued their siege in Seoul's main Catholic Church with growing support from office workers and worshippers amid fears that the Government was such as the Belgian franc. considering emergency measures, including the imposition of martial

Shultz on arms

1. Jan 1997 in the 🛬

US Secretary of State George Shultz told Soviet viewers in a tele-vision broadcast that the superpower arms control talks in Geneva stood a "good chance of success" in solving issues on which the US and the Soviet Union had been struggling Analysis Page 2

Security tightened

Spain is to tighten security at key industrial plants after Friday's bomb attack at the country's main petrochemical complex in Tarragona. The outlawed Eta guerilla group has claimed responsibility.

Falklands talks

Argentine President Raul Alfonsin said the US and Switzerland are pushing for talks between Argentina and Britain over the Falkland Islands but that no concrete proposals have emerged to resolve the territorial dispute, Page 4

Spanish trucks move

Spanish truck drivers have lifted their blockade of the main border in the eastern Pyrenees, Some 700 Spanish trucks cut off the border to protest against French farmers' action last week when Spanish trucks were set on fire.

Bangladesh bomb bill

The Bangladesh parliament has passed a bill making hombing of-fences punishable by death with life sentences only on compassionate

Cypriot protest

About 300 Greek Cypriot women demonstrators scuffled with UN troops as they marched to confront Turkish occupation troops and ask to visit their homes in the Turkish north of the divided island.

'Free Barbie' call

French lawyer Jacques Verges defending Klaus Barbie on a charge of crimes against humanity, said the former Gestapo officer should be allowed to go free under a French le-gal technicality covering sentences for several different crimes.

Clearing the air

European Environment Ministers called on their governments to speed up the availability of leadfree petrol and draw up a strategy to improve environmental protec-

Wild young Soviets

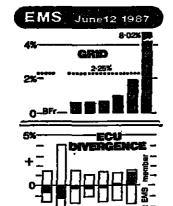
About 150 young people overturned cars and smashed windows in the Soviet Far East town of Komsomolsk-na-Amure, domestic press reports said, noting the rising crime rate among youth in the region.

AIDS on record

Authorities in France's department of Alpes Maritimes are to keep an anonymous record of people infected with the AIDS virus to follow the progress of the disease.

communications utility which had its shares listed in New York on Fri-

EUROPEAN Monetary System: Currencies showed little change on the week within the EMS. Attention during the first few days centred on the Venice summit but this provided little fresh initiative to act upon. Speculation grew that a Conservative victory would increase pres-sure on the UK authorities to place sterling in the exchange rate me-chanism and September was chosen as the most likely time. Elsewhere, an small decline in the US trade deficit left the dollar slightly firmer on the week against the D-Mark, thus presenting no problems for the weaker member currencies



The chart shows the two constraints on European Monetary System ex-change rates. The upper grid, based on the weakest currency in the sys-tem, defines the cross rates from which no currency (except the lira) may move more than 24 per cent. The lower chart gives each curren-cy's divergence from its central rate" against the European Curren-

cy Unit (ECU), itself тореал ситтепcies. SOUTH AFRICAN and foreign business leaders have warned Pretoria that it faces a further exodus of capital unless it drops plans to deduct rent arrears from employees' wages. Page 4

FORD of US is negotiating to sell its South African subsidiary following pressure from anti-apartheid

PERU central bank president Leon-

el Garcia resigned, following the failure of the bank's attempt to control the dollar black market. Page 4 LATIN AMERICAN leaders are expected to decide to go ahead with a plan to supply oil to Nicaragua, which is suffering a fuel crisis following a Soviet decision that it can-

not meet Nicaragua's requirements in full. Page 3 TAIWAN: Review committees of parliament have approved the lifting of controls on outward foreign exchange movements, paving the way for possible massive invest-

ments by Taiwanese in companies and stock markets abroad. KURHNE & NAGEL, the international forwarding agent, reported a fall in turnover by 7.7 per cent last year to DM 4.53bn (\$2.5bn), due largely to the fall in the dollar.

MERCK AG, parent of Swiss-based chemical concern, reported a jump in net earnings of some 78 per cent last year to SFr 23.4m (\$15.6m).

SUDAN resumes talks with 104 cre ditor banks today in a new bid to recycle debts of \$1.6bn. Page 2

SOCIÉTÉ GÉNÉRALE, fourth largest French bank, today begins its FFr 22.4bn (\$2.2bn) privatisation of-

fer. Page 22 PENNZOIL, Houston-based oil company which is locked in a \$10.3bn legal battle with the far larger Texaco, is considering carving itself up into about four separately quoted units as one of a number of restructuring proposals. Page 22

Politicians vie with sunny beaches for Italians' votes

FFALIANS began trooping to the polls yesterday, behind them one of the most tedious and bitter election campaigns in living memory and in prospect deep uncertainty as to the composition and durability of the next government.
Much will depend on whether the

Democrats and the Communists, can halt their steady declines of re-cent years. The Catholic party has been trying to galvanise supporters by warning that it may be supplanted as Italy's largest party by the

could face protracted wranging general election in June 1983.

over who should lead the governAfter closing at 10pm last m Bettino Craxi, the Socialist leader and voting will continue until 2pm and Prime Minister for nearly four local time this afternoon. The first years, or a more junior party leader computer projections of the result such as Mr Giovanni Spadolini of are expected in late afternoon. Un-

With much of the country enjoying its first really hot spell of the summer, the immediate question is how many of the 45.58m electors will boycott the 83,477 polling stations in favour of the beach or the mountains. According to RAL the two largest parties, the Christian public television, the turnout after the first four hours was 15.5 per cent, 0.3 per cent down on the same period in 1983.

As a country where voting is con-sidered a civic duty, Italy has traditionally enjoyed turnouts well Communists. above the European average. How-The most likely outcome remains ever the incidence of abstentions only modest changes in the shares and spoiled or blank voting papers of the vote and a new coalition built has been steadily rising in the last on the five parties that have go- decade to reach a record 17.1 per verned since 1983. But the country cent of the electorate in the last After closing at 10pm last night, ment - a Christian Democrat, or Mr the polls will reopen at 7am today

the first time members of the Green er smaller parties.

Campaigning officially ended on Friday evening when party leaders were given five minutes of television time to make their final appeals. Even at this late stage the campaign's two most determined duellists, Mr Ciriaco de Mita of the Christian Democrats and Mr Craxi of the Socialists, each sought to inflict flesh wounds on the other.

Insisting that his party would not form a governing alliance with the Communist Party, Mr de Mita

An increase in the Christian Democrat vote from its historic low of 290 per cent in 1983 would give the the game were at stake. In Lan-guage only thinly coded, he ap-pealed for a strengthened vote which would enable the Christian

der a system which is perfectly pro- Democrats to assert beyond peradvportional, at least 11 parties are ex- enture their right to lead the next munists would demand the opportupected to win representation in the coalition government over the nity to end 40 years of opposition Chamber of Deputies, including for claims of the Socialists and the oth- and to form an "alternative" govern-

> Lauding the virtues of stability established during his nearly four years as premier, Mr Craxi implied that christian democrat leadership made him fear "weak, precarious and inconclusive governments". Although unable to choose a gov-

tion of the next coalition.

More confusing and potentially turbulent would be gains for the Communists which take the party's share of the vote past that of the Christian Democrats. The Comment with the smaller lay parties

But providing they could collectively muster with the Christian Democrats more than 50 per cent of the Chamber of Deputies, the So cialists, Republicans, Social Democrats and Liberals would be more likely to reconstitute the five-party ernment under the fragmented per- coalition which has ruled since ty system, the voters can sen sig-nals which will influence the forma-

An increase in the Christian Democrat vote from its historic low of crat vote from i claimed that the democratic rules of 32.9 per cent in 1983 would give the vote has tended to favour the left party a strong claim on coalition but some polls are now suggesting leadership, notwithstanding the anticinated percentage point or two christian Democrats and the Company of the electorate, transported beavily Christian Democrat - 42 per cent of them support the Catholic party as against 25 per cent of men.

SHARES OF VOTE IN 1983 ELECTION

*Christian	_
Democrats	32.9
Communist Party	29.9
*Socialists	11.4
*Republicans	5.1
*Social Democrats	4.1
*Liberals	2,9
MSI-DN (Neo-Fascist)	6.8
Radicals	2.2
Proletarian	
Democrats	1.5
Others	3.2

One source of continual conjec- *Hembers of coalition

Women, who make up 52 per cent

Brazil seeks talks with creditors on \$7bn finance need

BY OUR FOREIGN AND FINANCIAL STAFF

BRAZIL has identified an external British banks extended a caufinancing need of \$7.1bn for 1987 tious welcome to the Brazilian ecoand plans to begin talks soon with nomic package, but emphasised official and commercial bank creditat full details had not been avail-\$68bn commercial bank debt, upon exposed British banks. which it suspended interest pay-

the year followed the unveiling of a cing possibilities. new economic package which in-cludes a reimposition of a price freeze, a devlauation of the Cruzado ian Government's spending plans,

tary officials reacted with caution ey for 1987. to the new austerity measures, welcome. However, there was some row."

In Washington, officials of the International Monetary Fund said they would have to study the Government's plans in detail before making a considered response. The IMF recently resumed high level contacts with the Brazilian Government and is shortly to draw up a report on the Latin debtor's economy and prospects for the Paris Club of ian interest rate suspension and the sovereign country lenders.

tors on meeting it, the Brazilian able over the weekend. Midland Government said at the weekend. Bank, which listed £1.4bn of external lending to Brazilian customers interest which will have accrued by in its end-1386 annual report, and the end of the year on the country's Lloyds, with £1.2bn, are the most A Midland spokesman said that

ments in February. The total also the banks had been waiting for a includes \$1.85m in payments due to sound economic policy to be put in-multilateral agencies and official to place, and the programme looked creditors. The announcement of the country enable the banks and the Braziltry's external financing needs for ians to start talking about refinan-

and big cuts in government spend-ing designed to resuscitate the country's flagging economy.

and the financing gap would be studied carefully, in particular the suggestion that the Brazilians International bankers and mone- would be seeking \$6bn in new mon-

A spokesman for Lloyds would while in Brazil local businessmen only say that "our people will start also gave the package a cautious looking at it in detail from tomor-

welcome. However, there was scepticism that wage and public spending, together with the prices are expecting sharply higher provisions to be made against Third store uninerable World debt by the more vulnerable banks when the big clearing banks publish their half-yearly results at the end of July.

This will reflect the new, more aggressive policy on loan write-offs by the big US commercial banks, led by Citicorp, as well as the particular circumstances of the Brazilnew economic package.

In all, Midland has some £3.4bn outstanding to Brazil, Mexico and Argentina combined, while Lloyds'

corresponding exposure is £2.7bn. In Basle, Brazilian officials said the amount of new money required for external financing will clearly depend on what treatment is applied to the payments due this year. It will also depend on the level of the Brazilian trade surplus.

Though the Government is still working with a projection of an \$8bn trade surplus, the officials said the recent pick up in the trade position offered some hope that the forecast could be exceeded.

The officials said the new finance ing would include sectoral loans from the World Bank, but declined to be more specific about the country's money raising plans.

Mr Antonio de Padua Seixas, a central bank official who is the country's chief debt negotiator, was explaining Brazil's new economic austerity package to fellow central bankers gathered in Basle for the annual meeting of the Bank for International Settlements.

Brazil is sticking to its refusal to obtain an orthodox agreement with the IMF. But bankers and officials hope that, provided the economic measures are satisfactory to the Fund, a formula will be found which would enable other creditors to participate in a new rescue pack-

The official said Brazil intends to remain current with the IMF, to which it is due to pay about \$1bn

Pope ends emotional trip home

By Christopher Bobinksi

POPE John Paul II left Poland yesterday after an emotional weeklong visit during which he criticised repeatedly the government's failure to implement reforms and respect human rights, and boosted the morale of the weakened Solidarity trade union movement.

At the airport before his depar-ure, the Pope held a second meeting with General Wojiech Jaruzelski designed to show that the church and state were still on speaking terms and that the Polish leader retained a modicum of credit in the

Pontiff's eyes.

The second meeting was arranged at Gen Jaruzelski's request. But the outspoken tone adopted by the Pontiff during his visit reflected disappointment that a similar second meeting after his visit to

Continued on Page 20 and responsibilities altered.

Thatcher plans new emphasis on key policies BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET Thatcher, the Mr Clarke said yesterday in a British Prime Minister, will make BBC radio interview that the unit major changes in ministerial re- concerned with co-ordinating inner sponsibilities at the Department of city policy would move over with Trade and Industry (DTI) and unthem. This is responsible for the dertake a review of agriculture and health policies. task forces in these inner city areas which are being increased from

These will follow the cabinet reeight to 18.

thuffle which she began during the In other DTI areas, decisions shuffle which she began during the weekend and will complete this have to be taken soon on the future week after her landslide victory in of Britain's space programme and last Thursday's elections.

The moves are intended not just to promote promising ministers at MacGregor, previously Chief Secrethe expense of long-serving ones tary to the Treasury, in place of Mr the expense of long-serving ones but also to signal a new emphasis in key policy areas, even though Mrs ister is intended to underline Mrs Thatcher has decided to put off major changes in the machinery of achieve tighter controls on farm exgovernment until later in the parlia-

This is one reason why more farreaching changes at the top of the Government have been left until

A shake-up is planned at the DTI which is expected to take a more ac- have identified agriculture, and tive role in job creation - particular-ly in the inner cities, which the Prime Minister has said is a priori-mediate agenda. ty for her third term.

This follows the appointment of Lord Young as Trade and Industry Secretary and Mr Kenneth Clarke as Trade and Industry Minister in the House of Commons. Both have moved over from the Department of Employment to replace Mr Paul Poland four years ago had yielded Channon, now Transport Secretary.

Other DTI ministers will be moved

on the future of competition policy. The appointment of Mr John Michael Jopling as Agriculture Min-

Mr MacGregor will to-day fly to Luxembourg for a meeting of EC agriculture ministers with instruc-tions to resist commission propos-

als for an oil and fats tax.

The other key move is Mr John Moore, from the Transport Department to become Social Services Secretary. Senior Tories believe that following criticism during the election campaign it is necessary to

Continued on Page 20 Background and analysis, Pages 6, 10, 14, 18; Editorial comment.

Revlon expected to make \$150m move for Charles of the Ritz

BY ALAN FRIEDMAN IN MILAN

REVLON, the US cosmetics group, is expected to pay more than \$150m to acquire the mass-market product lines of Charles of the Ritz, the US Ritz purchase was carried out. perfume and cosmetics maker which is controlled jointly by the Yves Saint Laurent fashion house and Mr Carlo De Benedetti, the Ital-

ian financier. Virtually all Charles of the Ritz

An announcement, understood to be imminent, would come just six months after Yves Saint Laurent and Cerus, the French holding company of Mr De Benedetti, took joint around \$300m came from the Yves control of Charles of the Ritz, at the Saint Laurent perfume line and the time paying the US Squibb group remaining \$188m from cosmetics

Yves Saint Laurent International, through which the Charles of the Mr De Benedetti bought into Yves St Laurent last November, which struck followers of his more

mainstream financial and industrial investments as an unusual foray into the world of fashion but which

table) perfume lines, and raise cash in order to help finance the original Charles of the Ritz takeover.

well as 12.5 per cent directly held in Ritz's \$57m in pre-tax profits.

Vuos Saint Laurent International, Analysts say that Revion, controlled since 1985 by Mr Ronald Perleman, is aiming to boost its presence in volume beauty products, recently adding the Max Factor line among others. Assets which it is now buying include Bain de Soleil tanning products, Jean Naté bath products and perfumes, Charles of the Ritz cosmetics, and the Carrington and Forever Krystle perfume lines in the US derived

from the Dynasty television series.

A separate indication of the reshuffle under way in the perfumes sector came at the weekend when Roussel-Uclaf of France confirmed its agreement to sell Parfums Rochas to Wella, the West German bair care group, for an undisclosed amount Rochas had sales last year

Much of the Revion-Charles of lines mainly in the US. It is bethe Ritz deal is being handled by Mr De Benedetti's company also lieved that Yves Saint Laurent per-

assets except the upmarket Yves Saint Laurent and Gianni Versace perfume lines would pass to Revion under the deal. It would be the latest in a flurry of ownership changes involving prominent names in skin care, fragrances and fashion.

Mr De Benedetti's aides have described as a promising financial investment.
The deal would allow Yves Saint Laurent to dispose of all but the most upmarket (and most profi-

Charles of the Ritz last year had total sales of \$488m, of which owns a 37 per cent stake in the Yves fumes last year contributed around Saint Laurent French parent, as three quarters of Charles of the

of some FFr 402m (67m). which has advised Yves Saint Laur-

Two year performance to 1st June

Trust	Percentage increase in value	Position in sector
Japan	+127.9	21st
Pacific	+115.0	14th
Worldwide Recovery	+114.0	4th
European	+108.5	11th
Income & Growth	+93.8	бth
UK	+92.5	43rd
International	+83.6	17th
Practical	+76.9	lst
High Income	+64.5	14th
American	+18.7	31st

Above we detail the performance of all our onshore authorised unit trusts.

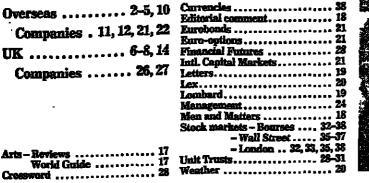
For further details about any of the above funds, write to Oppenheimer Trust Management Limited, Mercantile House, 66 Cannon Street, London EC4N 6AE.



Amember company of the Marcantile House Group.

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Menahem Golan.

THE MONDAY **PAGE** INTERVIEW

founder of the

Cannon group,

Reykjavik 2 South Africa: warning from foreign business 4 Primerica: Tsai takes reserved ap-Editorial comment: aftermath of UK UK politics: Labour's baggage of history 18 Lex: the way back for US banks 20 Survey: France Section III

Disarmament: making progress at

Crisis

meeting

on farm

By Quentin Peel and Tim Dickso in Brussels

been summoned today in a new effort to break the months-old

deadlock in this year's EC farm-price negotiations.

forecast budget overrun of some Ecu 4bn on agriculture alone.

without major cost cuts the member-states face the likeli-

costs

Peugeot targets US in attempt to lift exports

PEUGEOT, the private French car group, is adapting its new Peugeot 405 medium-sized saloon to American standards in an effort to boost export sales in the US market.

Mr Jacques Calvet, chairman of Peugeot, and Mr Jean Boillot, president of the group's Automobiles Peu geot division, both confirmed during trials of the new 405 at the weekend that an American version of the 405 would be sold in the US during

the course of next year.

Up to now, Peugeot's performance in the US market has been disappointing, to say the least. After reaching a sales peak of about 20,000 in 1984, Peugeot sales to the US have been averaging some 12,000 to 15,000 cars a year.

Asked if the recent retreet Asked if the recent retreat

from the US market by Renault, the French state-owned car trolling interest in American Motor Corporation to Chrysler, would help Peugeot's new drive Boiliet suggested that this was not likely to be the case. He said Renault's experience in the US had given "a bad image" the French car industry in

western markets in September. The new car will be launched in the UK

Production will be centred at Peugeot's Sochaux plant in France, where production of the 405 is due to reach 1,000 cars a day by the tnd of this year. The new car will also be pro-duced at Peugeot's UK manufacturing plant at Ryton where production is expected to reach 150 cars a day in October.

Peugeot also pians to export the new car to developing counthe new car to developing countries. However, Mr Calvet acknowledged that Peugeot's traditional big developing country markets, in Nigeria and Iran, were at present extremely uncertain and depressed. In Iran, however, where

Peugeot sells car kits manufac-tured in the UK, the French group recently sold 700 kits. The Nigerian market was at present very depressed, Mr Bollot said. From about 100,000 cars a year during good years, the Nigerian market was not expected to absorb more than a total of 5,000 to 6,000 cars this year.

Mr Calvet said he was very America.

The new 405 is being group's current Ffr 2.8bn as a so-called cor launched on the French market (£280m) new shares issue with one or more of this month and in a number of equity warrants which had met privatised groups.

European strong demand in France and The capital increase will enable Pengeot to reinforce its balance sheet.

favourable The reflects the French strong financial response Peugeot recovery. reported consolidated group profits of FFr 3.6bn for 1986.

Mr Calvet disclosed that the group's production breakeven point would be around 1.3m cars this year compared to a second production proceeded to

group production expected to be slightly above 1.3m cars. The breakeven point this year is nonetheless a bit below the is nonetnetess a oit below the group's original target of 1.2m cars. However, Mr Calvet said the 1.2m car breakeven point would be achieved next year. This eloquently reflected the improvement in the car group's operation, with the breakeven

point steadily coming down from a colossal 2.2m in 1980. Mr Calvet also confirmed that the Peugeot group intended to invest FFr 30bn during the next three years. This, he said, left little for other spending pro-grammes and explained the

reason why Peugeot had turned down various approaches to invest in the French Government's privatisation programme as a so-called core investor in one or more of the newly-

bood of budget deadlock, with major contributors like West Germany and the UK refusing to find more cash. On the other hand, with the new cereals marketing year due to begin on July 1, the failure to agree prices could soon cause major disruption, and is already causing uncer-tainty in the trade, especially

in southern Europe where the harvest has already begun. Mr Jacques Delors, the presi-dent of the Commission, asked for today's meeting to be sum-moned in an effort to counter the "budgetary schizophrenia' of the Council of Ministers with the finance ministers demanding savings, and the agriculture ministers ignoring

however, that while the exer-cise may prove the point, it will fail to find a solution, with the finance ministers refusing to get tough with their colleagues. The farm ministers will then carry on meeting on their own without a real incentive to make new cuts.

The European Commission itself has put forward a number of tough measures in this year's price package to halt the growing farm surpluses in the EC, notably in the cereals sector. cussions over the last three months, and two compromises proposed by Mr Paul de Keers-maeker, the Belgian minister in the chair, at least two key items remain unresolved.

These are the proposals for a hugely controversial tax on oils and fats—intended to generate some Ecu 2bn in extra income this year and next—and a reform of the complex agri-monetary system of "green" currencies and monetary com-pensatory amounts (MCAs), which protects EC farmers from the full effect of currency

fluctuations. West Germany is adamantly opposed to the MCA changes, which would impose additional price cuts on German farmers, and Mr Ignaz Kiechle, the German agriculture minister, is expected to veto this part of expected to veto this part of

The oils and fats measurea levy on all domestically-produced and imported vegetable and marine oils — is blocked by at least four mem-ber states, the UK, West Germany, the Netherlands and Denmark, all of whom fear a trade war with the US.

The betting in Brussels is for a marathon Farm Council after the finance ministers leave Luxembourg tonight, with the dire prospects of both oils and fats, and MCA reform, being sent to the EC summit at the end of the month for final resolution.

Soviet youths

go on rampage ABOUT 150 young people rampaged outside a police station in the Soviet Far East. overturning cars and smashing windows, the official Soviet newspaper Sotsialisticheskaya Industria said yesterday, Reuter reports from Moscow. The disturbances occurred on

June 2 in Komsomolsk-na-Amure, about 1,000 km north-east of Vladivostok, it said.

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Patrick Smith in Lagos on the UN Economic Commission meeting

Africa's unforgiving debt hinders promised reform

Commission for Africa (ECA) conference to review the UN's programme of action for African recovery and development opens today in Abuja, Nigeria, as the prices for EC FINANCE Ministers will today be urged to read the riot act to their farm minister colleagues to persuade them to cut their costs — or themselves finance soaring farm spending.

A crisis "jumbo" meeting of both farm and finance ministers of the 12 member-states has been summoned today in a new the continent's export commodities fall steeply, the cost of its imported manufactures keep rising and its debt servicing commitments contin-

ue at high levels. The UN programme of action, a plan to cover 1986-90, focused on restructuring the continent's agri-cultural policies to promote bigger food production, on building up ag-riculturally based industries and re-At stake is the effort by the European Commission to cut Ecu 1.1on (£760m) from farm spending this year, to reduce a lated infrastructure, on reversing the effects of drought and desertifi-cation and on wide-ranging reforms of Africa's education and occupational training systems.

The price package is supposed to make even greater savings in the farm budget in 1988 — but already the agriculture ministers have whittled down the cuts to a bare Ecu African governments were to un-derpin these objectives by undertaking internationally agreed programmes of market-oriented economic reform 40m in a series of compromises, without getting significantly closer to a final package deal.

The stalemate on farm prices has left the community facing a twin crisis. On the one hand, without major cost must then

Some 22 African countries have IMF-World Bank-supported economic adjustment programmes un-

der way. The five-year programme, launched at the UN special session on Africa in June last year, was esimated to cost \$128.1bn, of which African countries were expected to

one of the most constructive for a long time, following a period during which Mr Mikhail Gor-

bachev has played cat-and-mouse with the alliance.

and far-reaching arms control proposals have wrong-footed

Nato repeatedly over the past

year, and given the impression that the Western nations were

both less enthusiastic than the Soviet Union about arms con-

trol and less capable of taking

Now, at last, after eight

weeks of European dithering,

the US has persuaded its allies to endorse an effective man-date for its negotiations with the Soviet Union in Geneva on

the reduction of intermediate

range nuclear forces (INF), thus greatly enhancing the chances of an early agreement.

Mr George Shultz, the US Secretary of State, visited Moscow last April that Washington —

for reasons that probably have as much to do with President

Ronald Reagan's domestic diffi-

culties as with his views on arms control — wanted to re-

spond positively to Mr Gorba-chev's so-called "double zero

Yet the US Administration patently did not want to repeat the painful experience of last

October, when its European allies severely criticised Mr Reagan for failing to consult

It has been clear ever

new initiatives.

The Soviet leader's frequent

raise \$82.5bn, with the international community's contribution at \$45.6bn. Although the programme financing and "debt forgiveness was endorsed by the international community at the UN special as at the five-day Abuja conference. sembly, no specific commitments were made on the level of assis-

Mr Adebayo Adediji, the executive secretary of ECA, said in Lagos on his way to the conference that, on Africa, conditions on the conti-nent policy packages implemented nent had worsened considerably. over the last five years. Africa's earnings from commodity exports fell by \$19bn in 1986 from their level in 1985, Mr Adediji said, while the cost of the continent's imported manufactures had risen by 14 per cent.

Despite continuing debt rescheduling negotiations the region's debt service commitments would be between \$12-14bn, Mr Adediji said. Africa's external debt rose by 8 per cent in 1986 to \$175bn.

tripled to \$21bn during 1986, he take a comprehensive review of

If these financial trends continued throughout the five years of the UN programme, he said, the level of international financing required for the programme would rise to be-

This time, the Whie House

and State Department decided, the consultation process was

going to be as complete as possible, however long it took to bring the European allies around to the US point of view.

The exercise was, in a sense, facilitated by the fact that, at

a relatively early stage, West Germany was isolated within Nato over Chancellor Helmut

Rohl's desire to see the shortest-range missiles—up to 500 km—included in a deal to

Isolation from the US and its

other allies is something that

Bonn has always tried to avoid since the Second World War. After Britain and France had

spite of the sharp divisions within its coalition, would give

Bonn feels that its honour

has been satisfied by a para-graph in the final Nato commu-

Soviet short-range nuclear systems down to an equal

Washington what it wanted.

missiles from Europe.

all medium-range

THE NATO foreign ministers' them before making his far-meeting, which ended in Reyk-javik at the weekend has been proposals at the Reykjavik

summit.

Lack of support for the profinancing and "debt forgiveness, will be one of the key issues raised

Other broad issues under discussion will include a critical reassessment of the prospects for economic recovery and medium-term development in Africa, given the lack of economic progress in the face of the since last year's UN special session stabilisation and structural adjust-

This discussion will be informed by recent criticisms of IMF and World Bank policies in Africa made by the governments of Sierra Leone and Zambia. On May 1 the Zambian Government announced it was breaking with the IMF's policy reform programme. Participants at the conference in-

clude officials from the UN, government ministers and officials from multinational financing and policy Africa's current account deficit study institutions. They will underprogress made under the first year of the UN programme and submit their findings to July's summit meeting of the Organisation of Afri-can Unity in Addis Ababa, Ethiopia, and the next UN special session on

Robert Mauthner in

Reykjavik assesses one

of the alliance's most

ministerial meetings

for a considerable time.

The argument of the hard-

liners in Mr Kohl's Christian

Democratic Party has always

been that West Germany would become even more vulnerable to war in Europe if short-range systems were the only nuclear

weapons to remain on Euro-pean soil, since they would all be used within West Germany's

As far as the alliance as a

whole is concerned, short-range

context. In other worus, in linkage there is, it is no longer between an INF agreement and short-range nuclear weapons, and Mr Shultz made it plain

more worried about the dangers of the "denuclearisation" of Europe because it would put paid to Nato's strategy of flexible response.

As far 25. "However, the present French Government appears to regret that France dissociated itself from the so-called Nato "twin-track" decision of 1979, under which it was decided.

As far 25. "

constructive

Nato gets its act together at last

approval to the "double zero"
It became only a matter of time before West Comments.

graph in the final Nato comminnique referring to a new "concept of arms control and disarmament" to be worked out
by Nato's Permanent Representatives. This concept, or catalogue of objectives, would
include "tangible and verifiable reductions" of US and
linkage there is, it is no longer
Soviet short-range nuclear between an INF agreement and

Sudan to talks with creditors

London with representatives of the "London Club" of 104 creditor banks in an attempt to reschedule debts totalling \$1.6bn Reuter reports from

The Sudanese side at the three days of talks will be led by Mr Ismail al-Mousbah, Governor of the Bank of Sudan. At least 10 of the creditor banks, including Chemical Bank and Citibank of the US and West Germany's Deutsche Bank, will be represented, according to the official Sudan news agency SU-

The Sudan Government held in conclusive talks with creditors earlier this year on the debts, many of which have resulted from loans contracted in the 1970s to finance imports of basic commodities such as oil products and sugar.

Sudan and the banks reached rescheduling agreements in 1980, 1982 and 1985, but they all fell through because of Sudan's inabili-

ty to pay.
Sudan, one of the world's poorest countries but with great agricultural potential, has a total foreign debt of \$10.6bn. The International Monetary Fund said 16 months ago that the country was ineligible for

that reduction of the latter came very low down on the list

of Nato's priorities. The other important develop

ment at the conference—the settlement of the disagreement between the US and France over the institutional framework in which future conven-

tional arms negotiations are to

be held with the Warsaw Pact countries—will at last allow

preparations for the follow-up

to the moribund Vienna-based mutual and balanced force

reduction (MBFR) talks to

Behind the more obvious

results of the conference were

France's unspoken, almost surreptitious attempts to be-come more involved in Nato's

military activities, from which

it withdraw in 1986.
There is clearly no intention
on the part of the French to
reverse that formal decision.

in Europe, pending an arms control agreement.

France's decision on that occasion has seriously under-

mined its capacity tot influence

the subsequent nuclear arms

clearly been behind its agree ment to participate in

elaboration of the new Nato arms control concept. France's

rapprochement with Nato is taking place in small steps, but it is not less real for all that,

Soviet energy output increases

BY PATRICK COCKBURN IN MOSCOW

densate reached 258m tonnes, 2 per cent above the level for 2 per cent above the level for the same period last year, and gas production totalled 302bn affected by the bad winter cubic metres, or 6 per cent up

on 1986.

The oil industry, where production had slipped in the miduction of investment weekly Economacheskaya Gazeta is the increase in the production of basic foodstuffs.

THE SOVIET energy industry surpassed its targets in the first five months of the year, but the engineering industry is still facing difficulties, according to the Central Statistics Board.

Output of oil and gas condensate reached 258m tonnes the target of 3.2 per cent. The introduction of centralised

weather.

Output of meat was 4.5m tonnes during the first five months of the year, or 8 per cent above plan and 6 per cent above the figure for last year.

The economy is performing reasonably well but there is no sign of the rapid increase in growth which Mr Gorbachev introduction of centralised quality control at the start of says he wants to achieve through radical reform of the economic system as a whole.

The Kremlin will be pleased that the energy industries are doing better, but the fall in the price of crude means that export earnings are seriously below the levels expected in the early 1980s.

US asks Greece for talks on bases

BY ANDRIANA IERODIACONOU IN ATHENS

THE US HAS formally requested the start of negotiations with Greece on the future of the four American military bases here beyond December 1988, when the present agreement on their operation expires.

The American request for the start of talks was delivered to the following that t According to the Greek Foreign Minister, Mr Karolos Papoulias, the negotiations will begin in September, on a level to be decided in consultation with the US ambassador to

The American request for the future. Greece's Socialist Prime Minister, Dr Andreas Papandreou, announced in a surprise move last month that he will

seek a referendum on the bases issue before initialling or sign-Athens, Mr Robert Keeley, in ing any agreement resulting the coming weeks.

The referendum move is being seen as a bid to silence left-wing opposition to the con-tinued presence of the bases in Greece, six years after the Socialists came to power on a platform of closing down the US facilities.



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Central Americans and some

Caribbean countries.

Venezuela ended shipments
to Nicaragua in late 1983, citing
unpaid oil debts of \$30m
(£18m) but motivated more by

unease at the leftward drift of the Sandinistas, who came to power in a 1979 revolution.

Mexico made up the shortfall until the Soviet Union began

making major deliveries in early 1984, but suspended ship-

Contra army's increasingly

manifest unwillingness to fight -might just welcom a new opportunity to negotiate a

regional setllement in the last

year of his mandate. Mr Habib's mission last week appears to

In return for being bailed out, the Sandinistas, it is under-

stood, will be required to co-

operate fully in seeking a regional settlement. They had

1984 by undertaking that they would allow no Soviet bases, send home East bloc and Cuban

have dented this optimism.

องการที่สายให้การแหน่นเกาะระบ

LATIN AMERICAN leaders are Nicaragua's Sandinista Govexpected to decide this week to go ahead with a regional plan to supply Nicaragua with oil, as the beleaguered Central American nation's fuel crisis comes to a head.

The plan is part of an ambitions initiative to help bring peace to Central America by facilitating a Soviet disengage-ment from left-wing Nicaragua

Nicaragua's Sandinista Government, which is fighting newly rearmed to is fighting and the effects of Washington's three-year-old trade embargo, has desperately been seeking alternative oil supplies, mainly in Latin America, in the past six weeks, after being informed by Moscow of the new restrictions.

Nicaragua's Sandinista Government, which is fighting newly rearmed Contra rebels and the effects of Washington's three-year-old trade embargo, has desperately been seeking in Latin America, in the past six weeks, after being informed by Moscow of the new restrictions.

comes to a head.

The plan is part of an ambitions initiative to help bring peace to Central America by facilitating a Soviet disengagement from left-wing Nicaragua.

The immediate cause of the oil crunch is Moscow's decision not to meet fully Nicaraguan fuel requirements this year. The immediate cause of the oil crunch is Moscow's decision not to meet fully Nicaraguan fuel requirements this year. A final decision on the plan is expected "by next week at the government official said late last week.

By the immediate cause of the bloc for practically all its oil, as well as arms and the minimum essential balance of payments support to keep it affoat. Originally it got its requirement of roughly 15,000 barriels a day on concessionary terms under the San Jose Accord operated by Mexico and Venezuela for all control.

What lies behind the Soviet move is Moscow's desire to signal clear limits to its interest in Central America by gradually scaling down its involvement with Nicaragua. Latin American nations, led by Argentina and Mexico, thus see the opportunity to step into the gap and, as it were, "recover" Nicaragua, under-cutting the Reagan Adminis-tration's contention that the

Sandinista revolution is a Soviet beachead on the American mainland. The outline formula is expected to involve non-oilexporting nations, especially Argentina, helping to finance shipments by major oil producers, led by Mexico and assumed to include Venezuela.

The final decision on who

The final decision on who participates may now be affected, however, by the sudden postponement late Friday of the summit of five Central American presidents to discuss American presidents to discuss

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American presidents to discuss President Oscar Arias of Costa Rica's peace plan for the region, which was due to be held on June 25-26.

The postponement was announced unilaterally by Honduras and El. Salvador, Washington's two main clients in Central America following last week's tour of the region by Mr Phillio Habib. President by Mr Philip Habib, President Reagan's special envoy to

Reagan's special envoy to Central America.

Mr Simon Alberto Consalvi, the Venezuelan Foreign Minister, was quoted as saying that Mr Habib expressed Washington's unhappiness that the Arias plan does not envisage participation by the US-backed Nicaraguan Contras in talks which would take place between the region's governments and the region's governments and insurgents after a ceasefire.

Banks reopen in Panama

exiles'

Zahir Shah, Afganistan's for-mer monarch, to promote a set-

agency, said yesterday, keuter reported from Moscow.
"Time is passing, and we cannot stay in temporising positions," Tass quoted Dr Najib as telling a Communist Party Central Committee plenum in Kabul last Wednesday. "It is precessary to use the possibili-Nicaragua relies on the Soviet bloc for practically all its oil, and well-known and authorita-tive clergymen."

Diplomats in Moscow said the Soviet Union, which intervened militarily in Afghanistan in December 1979, had been quietly promoting the idea of the king's supporters taking part in a coalition government

Zahir Shah, 73, ruled Afghanistan from 1933 to 1973. He lives in exile in Rome. Soviet leader Mikhail Gorbachev indicated last month that the Kremlin would not object if the Kabul

ments in mid-1985, when Nicaragua owed it over \$500m. Since then, it has made one, cash-on-delivery shipment. Under the most optimistic scenario, senior Latin American officials say, Mr Reagan—whose Central American policy is in disarray because of the twin fiascos of Irangate and the

regional settlement. They had already cautiously backed the Arias plan and offer to meet the US's "genuine" security concerns at bilateral talks in to serve the principles of reconciliation in mixed organs of state power," he said

But he said he would have

advisers, buy no sophisticated weaponry, and not "export the revolution" to their neighbours. They signed one draft of the Contadora peace treaty and offered to sign another, and submitted a detailed disarmament offer after the last Central American presidential summit in Guatemala last year.

Marcos backers in

asked the US to withdraw its support for President Corazon Aquino, saying the Com-munist insurgeny had worsened since she became

Kabul 'ready for talks with

tlement of the country's six-and-a-half year-old civil war, Tass, the official Soviet news agency, said yesterday, Reuter

necessary to use the possibili-ties for entering into contact with monarchist forces, political activists of former regimes,

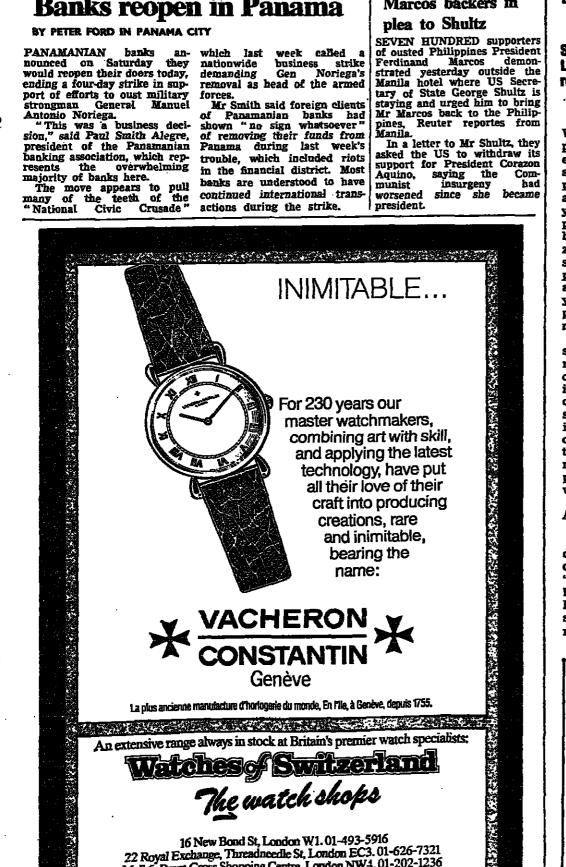
authorities sought political contacts with Zahir Shah.

He told the Italian Com-

munist Party newspaper L'Unita that the Afghan leadership was free to seek partners for its policy of "national reconcilia-tion" among Afghan refugees and emigants in foreign countries, including Italy. The former king practised a

brand of Soviet-orientated non-alignment in his 40-year rule and has shunned efforts to create a government-in-exile during his time in Rome. Western specialists say the king favours a traditional government that would have Communist participation but would include tribally-based leaders in exile and guerrilla commanders. Dr Najib told the Central Committee meeting that state power in Afghanistan would assume a more representative character in the future. "Realistic military - political forces will be able to have access to power, if they pledge

no dealings with those fiercely opposed to his "national recon-ciliation" policy, which Kabul presents as an attempt to end the war between the Soviet-backed authorities and Moslem



The Government has finally woken up to the dire situation, writes Ivo Dawnay

Brazil confronts the economic abyss

BRAZIL has at last slammed on the brakes, and not before time; the public had been howling for What is less clear is whether weeks for someone—anyone

Yet the government of President Jose Sarney had appeared wholly oblivious of the danger. promising publicly to federal expenditure, while simultaneously announcing a series of grandiose public works projects and disbursing billions in handouts to bankrupt state governments and companies. Only last week did the message so plainly heard by business and the general public

finally get through to the rari-fied air of Brasilia. May inflation of 23.2 per cent implied an annualised rate of 1.123 per cent. The independent Getulio Foundation think tank was predicting 30 per cent retail price rises in June and the Sao Paulo Industrialists' Federation, Fiesp, estimated that a third of

all Brazilian business was now,

in effect, bankrupt. Furthermore, Treasury figures made clear that the 1987 public sector borrowing requirement,

Mr Luiz Carlos Bresser Pereira, DR NAJIB, the Afghan leader, to bring the economy back has said his government is ready for contacts with supporters of the exiled Ring dent Jose Sarney had appeared more time for relative prices to more time for relative prices to come back into balance before imposing one. But by the end of last week, there was no choice. Anticipation of a new freeze had triggered a fresh surge of rises as supermarkets worked through the night to mark up goods.

mark up goods.

The question now uppermost centres on whether a measure that was greeted in last year's Cruzado plan with such universal jubilation, can work again on a cynical, surly and wholly demoralised public. The answer will decide not only the political future of Mr Sarney, but the whole course of the country in the medium term. country in the medium term, as well as the context in which crucial talks on Brazil's \$113bn foreign debts take place.

To the surprise of many, there are some good signs. First and foremost, the seriousness of the crisis has allowed Mr Brever Pereira the political



Sarney: braced for the howl

jects, raising or removing costly subsidies on wheat, milk and alcohol fuel, and lifting state enterprise tariffs by more than 30 per cent on steel, electricity and telephones.
Also vital are new indepen-

dent powers for the central bank which allow it to refuse to finance Treasury deficits. forecast at 1.7 per cent of gross space to substitute real action

But, perhaps, most important domestic product, was now at for rhetoric about cutting are the ways in which the terms

6.7 per cent—and this without government spending, by shelving lens of billions of ing some \$35bn in capital prowages freeze differ from its ill-

fated predecessor.

The three crucial changes

 The temporary abandonment of wage indexation and the real fall in disposable incomes iminates all risks of demandfuelled upward pressure on

Finally, the plan clearly defines the path to be taken out of the freeze, with prices and wages to be allowed only quarterly retrospective inflation adjustments, before free-pricing and barganing return. The negative side of the

The hegative side of the equation centres on the Government's ability to manage the political fall-out from the package. After months of promising no recession or loss of real earnings, Mr Sarney must steel himself for the howl of public form.

The Government must also hope that the international The package does not community—not least its creditors—will react sympathetically. It least its creditors—will react sympathetically. It least, they should and undertakes to lift the freeze gradually after a maximum of go days.

International international money unat the international community—not least its creditors—will react sympathetically. Brazil's programme, price freeze excepted, is as close to an austere International Money. tary Fund package as can reasonably be expected.

The bankers, however, will examine in detail projections on trade performance and public expenditure before making their judgment. Any deal concluded in rescheduling talks part imminent will depend as now imminent will depend as much on the resolution of internal disputes about respon-sibility for a bail-out between a highly alienated and divided commercial sector and the in-stitutional and sovereign country creditors as on Brazil itself.

In an emotional attempt to lift his nation's spirits, President Samey concluded his Friday television address with fury.

In addition, with mass resignations among leaders of the Brazil." he said. Fingers are main price policing agency last crossed that Brazil's foreign month, there are serious doubts creditors—the banks, the LEF and Paris Club sovereign lendars—will feel equally whether business can be forced and Paris Club sovereign lento hold the line. The greatest ders — will feel equally hope is that the consequences of not doing so are so critical the freeze holds.

White House urged to shelve Gulf tanker escort plan

PRESIDENT REAGAN was bigh among Democrats and yesterday urged to shelve the US plan to escort Kuwaiti oit tankers in the Gulf.

Two senior Democrats—Senator Sam Nunn of Georgia and Senater Claiborne Pell, chairman of the senate foreign relations committee — gave warning that they opposed the plan to extend the protection of the American flag to Kuwaiti vessels.

Congresional opposition to the escort plan has remained to the threat of the approaching to the escort plan has remained to the protection of the escort plan has remained to the escort plan to extend the protection of the American flag to Kuwaiti vessels.

One of the American lives of engagement ade to the equipment on board was not faulty and the equipment on board was not faulty and the rules of engagement ade to the editors of engagement and the rules of faulty "Scalars" to secort plan to the rules of faulty and the rules of engagement and the rules of engagement and the rules of faulty and the rules of engagement and

INSIDE CORPORATE STRATEGY

Enso-Gutzeit:

A Taste for Controversy

" I have never believed in diversification," admits the president of Enso-Gutzeit, Pentti Salmi, the outspoken head of Finland's largest papermaker, is not afraid of defying tradition.

Ten years ago, there were fears that Enso's losses might never be stemmed. Salmi ruthlessly streamlined the company and revitalised management and marketing. Last year the turn-around was celebrated with three major acquisitions. Enso-Gutzeit has retaken its leading position in the Finnish forest industry.

By Patrick Humphreys, Nordic Communications Corporation

While other papermakers were link-ups with pondering engineering, Enso-Gutzeit was slimming back down to being a papermaker. "You can only operate with credibility if you know your business," Salmi says. "Our people know the paper business."ngineering, Enso-Gut-

zeit was slimming back down to being a papermaker. "You can only operate with credibility if you know your business," Salmi says. "Our people know the paper busi-

"Previously we were in the shipping business, we had machine works, we even produced flexible packaging, which is plastics. We restructured this company to get rid of all unnecessary assets, and put all the money into what we know." Salmi describes Enso's sector as "anything to do with wood. We buy ten million cubic metres of it. Our 30 plants process it. Then we see what the bottom line is."

Assertive new line

350

306

250

200

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100

Salmi dismisses the theory of diversifying to escape the cyclical nature of the paper business. "It is cyclical only if you are in bulk products. That is why we have restructured our product selection. With the help of our research centre, we have

developed new specialty products aimed at narrow segments, which are not disturbed by business cycles. One example is liquid packaging board-milk has to be packaged every day whatever stage of the business cycle you are in."

The company's new success and assertiveness was reflected in its decision to withdraw completely from Finnpap, the Association of Finnish Paper Mills, from the start of this year. The main reason, says Salmi, was that Finnpap marketing rules were hindering Enso-Gutzeit's innovations. "When you've invested 300 million Finnish marks into producing an advanced kind of printing paper, you'd be crazy to let anything stand in its way."

The company is now challenging its rivals head on "but being outside Finnpap gives us an advantage in speed and flexibility over the companies still inside. We have gone a long way in delegating authority and responsibility, and our people can make very quick decisions."

Enso-Gutzeit dates back as far as 1872. Its Norwegian shareholders sold most of their shares to the newly independent state of Finland in 1918, bequeathing only the name to future operations. The state has had a majority holding in Enso-Gutzeit ever since, though it's also quoted on the stock exchange and has nearly 20,000 private shareholders.

Perils of politics

State control was one factor in the deterioration of company



market to be a second

with West Fraser Timber. "I don't think I could find a more profitable place to put the money than Eurocan," he insists.

"In fact it would make sense to increase our investment in the USA or Canada. If we transferred our technology to North America, then using our export organisa-



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ı	Key statistics		1982	1983	1984	1985	1986
	Turnover	FIM million	5 454	5 716	6 902	6 665	7 129
	Operating margin	FIM million	444	817	1 167	985	1 121
1	Investment	FIM million	558	352	984	767	1 225
ı	Return on capital employed %		2.2	5.5	10.6	9.0	10.1
1	Net interest paid, % of turnover		11.7	10.6	8.3	7.4	6.8

finances in the 1970's, but Salmi sees the politicisation of companies as something not confined to the public sector. "The trouble always begins if top management has personal goals that are different from those of the company. If the chairman has political ambitions, that is the start of a disaster." Today, Enso-Gutzeit is back in

the hands of professional managers. Only in one area does Pentti Salmi concede that state ownership affects management decisions. "I can very well understand why private Finnish paper mills are investing in Wales, or Germany or Scotland, but in our case the decision-making process is more difficult. Our first priority is to take care of domestic investment."

Eurecan booms

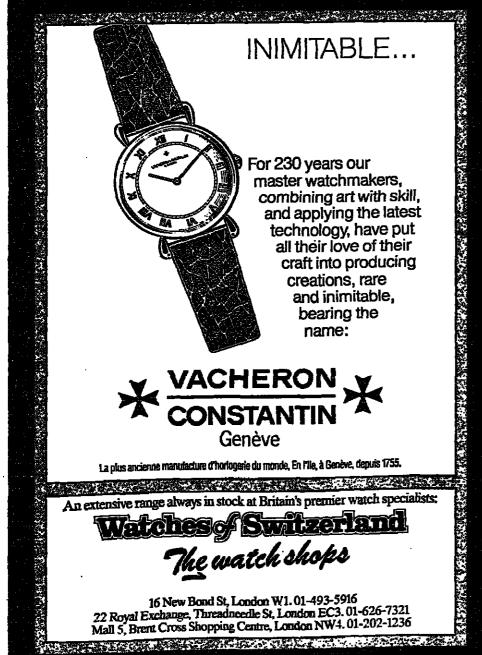
Even so, Enso-Gutzeit's chairman is strongly resisting pressure to sell the company's one major overseas asset, its Eurocan paper and saw mills in British Columbia, Canada, jointly owned

tion we could certainly make money."

The forest policies of the state get short shrift from this iconoclastic public servant. "Finnish paper companies are not only establishing themselves abroad: we're also doing a lot of research in reducing the wood content of paper. This is evidence of two things—that our wood prices are too high and that supplies are too uncertain."

Much of Finland's forests are owned by private farmers, who have a strong central organisation. "We can never be sure if we are going to get all the wood we need for next year, and what price we are going to have to pay. Our purchasing organisation has to make over 15,000 contracts every year."

Salmi is urging the new government to rework its policy towards the paper industry. "It does not make sense to scare investment away from this country when we have unused reserves of wood here." Not that he expects miracles: "Finland just isn't run as efficiently as Enso-Gutzeit!"



Shamir in **African 'mystery** tour'

By Our Foreign Staff

ISRAEL'S Prime Minister Mr Yitzhak, Shamir, begins an African tour today designed to symbolise the country's growing renewal of relations and co-operation with black Africa.

—Chaotic planning and political uncertainy have created unceruncertainy have created uncertainty until the last minute which countries Mr Shamir would visit and for how long. Barring further surprises, he was due to visit Togo, which last week became the latest African state to restore relations with Israel, Cameroon which did so last year, and Liberia, among the first to restore ties severed during the 1973 Middle East war.

He may also stop over in the Ivory Coast, which restored ties

Black African governments which embarked on cordial relations with Israel in the late 1950s and 1960s are once again looking to the Jewish state in growing numbers for security and defence assistance, and for agricultural know-how.

"The problem is their expec-

tations are out of all proportion to what we can provide," says a senior Africa expert in the Israeli Foreign Ministry.

Among the grounds for the revival of links are the proven efficacy of Israeli security. Israel's recent tentative steps to distance itself from South Africa, a waning of radical Arab influence in Africa and a with the US and its powerful congressional Jewish lobby.

Besieged students in Seoul win support from church leaders

BY MAGGIE FORD IN SECUL

HUNDREDS of students besieged in Seoul's main Roman Catholic cathedral attracted continuing support from office workers and worshippers over the weekend as fears grew that the Government was consider-

the Government was considering emergency methods, including the imposition of martial law, to stop the protest.

Catholic leaders, who have declared their backing for the students' stand in support of democracy, yesterday failed in negotiations with the police to win a guarantee of safe conduct for the students if they leave the cathedral. the cathedral.

Analysts believe that argu-Manysts believe that are continuing within the roling Democratic Justice Party and the Government over how to handle the students, especially following the demonstrations of public support for their

Thousands of market traders and passers by joined the students at the weekend, singing the national anthem and demanding that the police stop firing tear gas. The Government has blamed the opposition Re-unification Democratic Party for the violence, the worst since 1980. Thirteen opposition leaders including the deputy leader of the party. Mr Yang Soon Jik, were arrested late on Esiden with

Friday night. Support for the opposition itself seems to have been boosted since Wednesday's rally. One of South Korea's leading television comedy stars has been forced to resign from his job after a critical comment he with the victim's family, about the victim's family, about the television comedy stars has been forced to resign from his intereference by the authorities.

made about the opposition party sparked a deluge of protests from viewers

Although the violence in Seoul abated yesterday in an aparent effort by the police to up, public criticism continued to mount about the police use

of tear gas.

A second football match
between the US and South
Korea had to be stopped during a demonstration, raising concern in the Seoul Olympic Committee about the possibility of problems during the 1988 Olympic Games.

Hints began to emerge yester-day that the Government may try to defuse the violence by closing the universities early for the summer holidays. About 16,000 students demonstrated nationwide at the weekend against the Government, and Seoul students have persistently tried to march to the cathedral in support of their besieged fellow protestors. In the pro-vincial town of Chonju, demonstrators succeeded in overcom-ing riot police to march to the

The Government will also be concerned about the political effect of the imminent death of a student hit by a tear gas shell last week. The student is on a life support machine and doctors said yesterday his condition had worsened. Along with the victim's family, about 300 students are holding a vigil

the damage, Mr Hameed said that ways to receive and dis-tribute more Indian food and medical supplies to the Tamil north were being worked out by his ministry and Mr Mani Dixit, the Indian high com-

Sri Lanka agrees to join in **Asian talks**

Mr Shaul Hameed, the Sri Lankan Fereign Minister, will leave for New Delhi on Wednesday to participate in the South Asian foreign ministers' meeting, the Colombo government announced yesterday.

It is the first public sign that Sri Lanka, which had announced that it would boycott the meeting, is now keen on easing tensions with its big neighbour after Indian air force aircraft intruded into Sri Lanka airspace to drop relief supplies in the Jaffua peninsula, the separatist Tamil stronghold.

India reacted to the boycott decision by saying that it would be "constrained" to postpone the meeting. Four member-governments, Paki-stan, Bangladesh, Nepal and the Maldives which had all condemned the Indian action, condemned the tantan action promptly appealed to Colombo to reconsider its decision. giving Sri Lanka a diplomatic opening which it eagerly seized.

Yesterday, Mr Hameed wrote to the foreign ministers thanking them for their "concern" to preserve the unity of the South Asian body, a two-year-old regional body.

Meanwhile, Mr Athulath-mudali, the national security minister, said that the "suspended " military operation in the north would be resumed if the main rebel group, the Tamil "Tigers," did not show any willingness

The minister, who left for Europe and the US yesterday, denied that the government was interested in purchasing an "air defence system."

The rules of the South Asian forum do not permit the discussion of bilateral disputes. But Mr Hameed is expected to take up the recent Indo-Sri Lankan fric-N. D. Tiwari. Sri Lanka I, however, participate in

Anthony Robinson on foreign companies' resistance to Botha

Pretoria risks business exodus

business leaders have warned the government that it faces a further mass exodus of foreign companies unless it drops pro-posed legislation obliging companies to deduct rent arrears from employees wages.

The Ford motor company, which merged its wholly-owned South African subsidiary with Anglo-American Corporation's car division and emerged with a 42 per cent stake in a new company called the SA Motor Corporation (Samcor) in 1985, is again considering pulling out. But the latest legislation could prove the last straw for many other European as well as American companies.

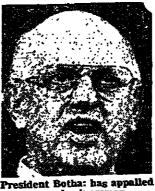
American companies.

Their resistance to domestic anti-apartheid and disinvestment lobbies has already been weakened by the right-wing shift in the May 6 whites-only elections, statements by government ministers that foreign companies will have to comply with a more strictly applied Group Areas Act, and reimposition last week of the nationwide state of emergency. On May 31, the Rev Leon Sullivan, author of The Sullivan Code of Business Principles. Code of Business Principles, called on all remaining US compaines to withdraw within nine months after the expiry of his two-year timetable for the abolition of apartheid laws by

Pretoria.

Privately, business leaders are appalled at Pretoria's seeming insensitivity to the international consequences of political decisions designed to boost the power and authority of the political councils while. of black political councils while. at the same time, appeasing right-wing whites.

The Promotion of Local



FORD of the US is negoti-FORD of the US is negotiating to dispose of its South
African arm but its cars will
still be available locally, an
industry official said, Reuter
reports from Johannesburg.
Mr Leslie Boyd, chairman
of the South African Motor
Corporation (Samcor), in
which Ford has a large shareholding. said Ford was

which Ford has a large share-holding, said Ford was negotiating the transfer of shares to a trust for the benefit of its predominantly black workforce. He said discussions were still at a formative stage but Ford agreed to allow the continued sale of its products in South Africa under its trade mark.

the estimated R271m (£80m) which township tenants have refused to pay black local

In recent weeks local authorities have stepped up evictions of non-payers, a practice which several times in the past has led to bloody conflicts between tenants and township police.

black-white power-sharing.

Mr Bill Hubbard, senior vice-Government Affairs Amend-ment Bill, introduced in Chamber of Commerce in South Parliament last week, is aimed at getting business to re-coup

plans to force multinationals to collect rent from black employees it could lead to a wave of industrial unrest and make it impossible to resist domestic pressures to join the exodus from South Africa.

Over the past 18 months, at least 78 US companies have dis-invested, mainly by selling their assets to South African com-Elections to the new councils were heavily boycotted in 1983 and they are widely considered to be corrupt and venal handmaids of Pretoria. But the government has given high priority to breaking the rent boycotts. This is part of its strategy of improving the financial base of the underfunded black councils which are a key building block in Pretorias version of future black-white power-sharing.

assets to South African companies, or by leveraged management buyouts. The departure of companies such as IBM, General Motors, Exxon, Kodak, Procter and Gamble. Rank Xerox, has greatly increased the pressure on remaining US companies, such as Ford, Mobil, Johnson and Johnson, and Colgate-Palmolive, which believe they can contribute by remaining and taking part in Sullivan code job and social enhancement programmes.

Several European-based multinationals such as Shell and BP will also now come under increased pressure to follow the example of companies like

ment programmes.

Barclays. The British-based banking group sold its remain-ing stake in the former Barclays National Bank to Anglo-American Corporation com-panies last October. Ford, in particular, has come

under increased pressure following General Motor's decision to sell out to local manage-ment last year. Ford presently has a minority 42 per cent stake in Samcor. This produces Ford laser, Sierra and light pick-up models at plants north of Pretoria which also assemble several Japanese models. Ford added to the severe unemployadded to the severe antispay-ment problems of the Eastern Cape when it closed its Port 1985 as part of its deal with Anglo-American. Industry Anglo-American. Industry sources say that relucatance to cause the same hardship to its black workers in the Mamelodi township north of Pretoria has been a major factor delaying Ford's departure.

Ford's departure.

Anglo-American, like several other South African blue chip companies, has benefited from disinvestment by picking up foreign companies trade marks, technology and management skills often at relatively low

But Anglo-American's management is deeply concerned about the longer-term implica-tions for South Africa of cut-ting itself off from foreign capital, technology and know-

These fears are well under stood at the reserve bank and some levels of government. But it does not appear to be so well understood at the highest

Now the government appears committed to further legisla-tion which, like the Group Areas Act, again exposes foreign business to accusations of collaboration with apartheid

US 'pressing for Falklands talks'

PRESIDENT Raul Alfonsin of Arg-entina said the US and Switzerland were pushing for talks between Argentina and Britain over the at a diplomatic standoff since the Faikland Islands, Reuter reports

working "very strongly" to start Argentina's then-military Govtalks between the two countries. but that it had made no concrete archipelago in an effort to make proposals. He said Washington was good on a 150-year sovereignty permanently bothered by the claim but was defeated by a British

"The United States ... has, in the first place, a problem which is the "seeks to insist on the possibility of responsibility to defend its contin- a dialogue" between Argentina and ental alliance (with Latin America), Britain and that Mr Pierre Aubert. and another problem which is de- the Swiss President, was "a bit fending its Atlantic alliance," Mr Al-more optimistic than before" about fonsin said aboard his presidential getting talks started.

12 FREE issues

ADDRESS

Britain and Argentina have been brief but bloody war they fought in 1982 over the windswept islands, Mr Alfonsin said the US was which Argentines call the Malvinas. e-nment invaded the South Atlantic task force.

Mr Alfonsin said Switzerland

tions broke down due to Argentina's insistence on discussing the future sovereignty of the islands and Britain's refusal to do so. The countries have had no diplo

matic relations since the war, but Britain keeps an interests section in the Swiss embassy in Buenos Aires and Argentina does likewise in the Brazilian embassy in Lon-Alfonsin reiterated his country's

refusal to hold talks with Britain if London continues to regard sover eignty as not negotiable. We are holding dialogues with

countries that have great interest in solving problems, but we are not holding dialogue with Great Brit-

African Development Bank lifts capital

BY TONY WALKER IN CAIRO

the annual meeting which ended in Cairo at the end of last week, according to Mr Babacar N'Diaye, the ADB

Mr N'Diaye said, in an interview at the end of the three-day meeting, which was overshadowed by African debt problems, the increase in capital from about \$6.3bn (£3.8bn) to \$19.6bn would widen the bank's

five years.

The paid-up portion of the additional capital pledged by regional and non-regional share
several industrialised countries prepare a report on the ADS to coincide with its 25th anniversity price rather than lower by much. The dollar has Debt was the main preoccular in the dollar has been additional capital pledged by the Ivory Coast.

Mr N Diaye said differences pation of the Cairo meeting.

Non-regional shareholders from the industrialised world will pay their share of addi-tional capital over five years. African states have been given

West Germany. Among other resolutions was an agreement to hold an inter-African conference on African feasibility study to establish an African conference on African feasibility study to establish an African conference on African feasibility study to establish an an agreement to hold an inter-African conference on African feasibility study to establish an agreement to hold an inter-African conference on African feasibility study to establish an agreement to hold an inter-African conference on African feasibility study to establish an agreement to hold an inter-African feasibility study to establish an agreement to hold an inter-African feasibility study to establish an agreement to hold an inter-African feasibility study to establish an agreement to hold an inter-African feasibility study to establish an agreement to hold an inter-African feasibility study to establish an agreement to hold an inter-African feasibility study to establish an agreement to hold an inter-African feasibility study to establish an agreement to hold an inter-African feasibility study to establish an agreement to hold an inter-African feasibility study to establish and the feasibility study to est

debt, which totals \$175bn.

several industrialised countrie

A 200 PER CENT increase in the capital of the African Development Bank was greeted as its "main achievement" at the annual meeting which will pay their share of additional state of the proposed payment and the same of the proposed state annual meeting which will pay their share of additional state of addi from a misunderstanding. He said the aim of the proposed gathering was to review the debt problem from an African perspective and perhaps pro-pose some solutions.

The ADB's shareholders include 50 African states and 26 non-regional members, among them the US, Japan and West Carman. creditor nations, the World Bank, the International Mone-tary Fund and the ADB itself.

African Export/Import Bank, in foreign currency. base for borrowing.

He expects that it will be in a position to lend between ference proved divisive, with and non-regional experts to demand on the banking system, frence proved divisive, with and non-regional experts to demand on the banking system, for the system in a position to lend between ference proved divisive, with and non-regional experts to demand on the banking system, for the system is a position to lend between ference proved divisive, with and non-regional experts to demand on the banking system, for the system is a position to lend between ference proved divisive, with and non-regional experts to demand on the banking system, for the system is a position to lend between ference proved divisive, with and non-regional experts to demand on the banking system, for the system is a position to lend between ference proved divisite of the system is a position to lend between ference proved divisite of the system.

Peruvian bank chief resigns

By Barbara Durr in Lime THE president of Peru's Central Bank, Mr Leonel Figueroa, has presented his resignation, but President Alan Garcia has not yet said whether

Garcia has not yet said whether he has accepted it.

Mr Garcia is widely believed to have prompted Mr Figueroa's move after the central bank's attempt to control the dollar black market floundered last week.

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strasse 1B, Stuttgart.

OVERSEAS NEWS

Taiwan to lift controls on investing abroad

REVIEW COMMITTEES to nomics committees late last Taiwan's Parliament have approved the lifting of controls on outward foreign exchange movements, paving the way for possible massive investments by Taiwanese in companies and stock markets abroad.

The revision allows the lifting of committees late last one week sent their revision of the strict, decades-old law controlling foreign exchange to the house floor, where it will be disposed and most likely be approved soon.

The revision allows the lifting of controls at times when

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Under the new system, both corporations and individuals will be allowed to hold and to will be allowed to hold and to remit foreign currency abroad. The Government seeks through such remittances to reduce its foreign exchange reserves, which have surpassed \$60bm and which threaten to ignite impation.

Foreign corporations and stock exchanges could find themselves major beneficiaries of the idle Taiwanese funds. The Government has already begun

approved soon.

The revision allows the lifting of controls at times when Taiwan enjoys huge trade surpluses, holds excessive foreign reserves, or the international economic picture changes redia. economic picture changes radic-

MPs also inserted a clause into the proposal by the executive branch, which would require Parliament's approval before controls may be reimposed The revision, however, will

not affect recent curbs by the central bank on inward remitencouraging such investments, and major banks and fund stem the inflow of so-called managers have begun putting in place the mechanisms for currence transfers. currency transfers. appreciation of the Taiwan
Parliament's finance and ecodollar

Border blockade called off

BY DAVID WHITE IN MADRID

A MASS blockade by Spanish fruit and vegetables. truck drivers which had caused The frontier was reopened a pile-up of tourist traffic try- to traffic after an agreement ing to cross from France via between local authorities on

dents on Thursday when the border, including police protesting French farmers set escorts on stretches of motor-fire to 12 truckloads of Spanish way in south-west France.

the main border in the eastern both sides. Spanish transPyrenees region was lifted at the weekend. Some 700 vehicles cut off the border in protest against incileasts on Thursday when the border in protest against inci-

World Economic Indicators TRADE STATISTICS

•		Apr '87	Mar '87	Feb '87	Apr
UK £bn	Exports	6.572	6.429	6.973	6.04
	Imports	7.076	6.846	7.174	6.30
=	Balance	-0.504	0.417	-0.207	-0.22
Japan Sbn	Exports	19.500	19_335	17.242	17 <i>.7</i> 5
5-1	Imports	I 1.935	11.235	10-107	10:90
	Balance	+7.565	+8.100	+7.135	+6.85
		Mar '87	Feb '87	jan '87	Mar '
US \$ba	Exports	21.064	18.660	16.421	18.55
	Imports	34,694	33.725	28.692	30.73
		-13.630	-15.065	-12.271	-12.19
W. Germany DM bn	Exports	42.73	43.65	40.77	44.21
	Imports	33.90	32.44	31.90	35.66
. •	Balance	+8.83	+11.21	+8.87	+8.55
France FFr bn	Exports	70.53	73.82	67.73.	70.53
	Imports	73.81	74.26	70.18	71.41
The first of the second	Balance	-3.28	-0.44	245	-0.22
·					

US drug companies act against **Brazil**

THE US Pharmaceutical manufacturers' association has filed a petition with the US Trade Representative requesting presidential action against Brazil for its failure to protect pharmaceutical patents.

Thte petition is the first trade complaint originated by any US industry under 1984 amendments to the Trade Act

amendments to the Trane Act for the lack of intellectual property protection.

The association moved only after months of negotiations failed to produce a solution. In announcing the action, it said that Mr Marcillo Moreira, Brazil's ambassador to the US, told the association's negotiators on June 8 that his Government was unwilling to seek protection for pharma-

ceutical patents.

Brazil law has denied protection to pharmaceuticals since 1969. The association said that American companies have spent millions of dollars in research, development and start-up costs, which they are prevented from recouping.

The industry is one of the few in the US to have maintained a positive trade balance. Mr Gerald Mossingoff, the association's president said that positive balance had been "severely jeopardised by the absolute refusal of some countries to grant patent pro-tection to our member com-panies' products." Brazil, he said, is "the most egregious example of an anti-intellectual - property - rights posture."

Under the 301 petitions filed, the US Trade representative has 45 days to determine whether to accept it and initiate an investigation. In the end, he can initiate consultations or recommend action to the President, who may decide to adopt a wide variety of reprisals

Iran-Soviet links

Efforts to expand economic and industrial co-operation between Iran and the Soviet Union have been, discussed in Tehran between ministers of the two countries, according to the Iranian news agency, Reuter reports. They expressed the hope that co-operation could be increased through the work of a joint economic commission. Kevin Brown on how outdated regulations are shackling a growth industry

Express mail outpaces customs services

invented.

The International Express
Carriers Conference, which
represents the major companies, estimates that the
industry has grown from
around 5m packages in 1980
to some 40m this year. This
will produce gross revenue of
around \$4bn, on top of revenues
in the various domestic markets
of around \$12bn, of which some of around \$12bn, of which some \$8bn is in the US.

Customs administrations have ing its efficiency. responded to this dramatic Governments are losing growth in a number of ways, such as rapid baggage clearance for courier traffic at London assess properly the increasingly Heathrow, and simpler procedures for low value shipments
to the US. Some Customs
administrations have also
assigned inspectors to the
"hub" networks developed by
the increasingly heavy flow of packages.

Peat Marwick shipped hundreds of packages valued at between \$22.45 and \$225 in the ten months from May last year
to February.

overait performance, however, administrations.

The secretarized of the Counciderably reduces transit times. The express companies describe these initiatives as "piecemeal innovations," however, and point out that there has so far been no international harmonisation—so that the rules vary from one country to another.

The special treatment for This will reduce tensions with administrations.

The secretarized of the Councid, which is based in Brussels, administrations.

The secretarized of the Councid, which is based in Brussels, and in only 11 cases to be sufficient to have been believed to have been broadly in sympathy with proposals produced by the IECC in a document known in the industry as the Blue Book.

The US customs service collected duty in only two of 91 cases, and only one of these overall performance, however, administrations.

The secretarized of the Council is based in Brussels.

The secretarized of the Council is unlikely to be sufficient to the systems to allow consignments.

The broad thrust of these proposals was endorsed in a draft study prepared by the Council is likely to have to tive by the US customs service. The proposals were curtailed, of the vote in Ottawa.

THE express mail industry post offices is also said to put was within 25 per cent of the poses a serious problem for commercial companies at a legal amount due.

With value added tax, Europetitive disadvantage, lead
With value added tax, Europetitive disadvantage, lead-

changes implemented by customs services are insufficient in two ways.

Express consignments are being held up by slow handling, which hampers the growth of a major new industry by reduc-

The industry is reckoned to have grown from 5m packages in 1980 to some 40m this year. This will produce gross revenue of around \$4bn on top of revenues in the various

cials themselves can administer of collection exceeds the potentheir customs laws with respect tial revenue. to express consignments."

domestic markets of some \$12bn.

Europe and the US.

In addition, express parcels sent by national post treated as organisations are treated as mail, which considerably reduces transit times. The express companies describe

There was a huge variation customs procedures with officials of the Customs Co-operation Council, the United Nations agency which represents the considerably reduces transit times. The express companies describe to services in assessing duty and value added tax payable; the council, the world's customs forms where information is contained in company manifests.

Electronic transfer of information in advance of the world's customs administrations.

The secretarizet of the Council, the world's customs forms where information is contained in company manifests.

Electronic transfer of information in advance of the world's customs of the Council, the which is because the considerably reduces transit times. The express companies describe to make the customs of the Customs of the Customs of the Customs of the Council, the united sent to company manifests.

Electronic transfer of information in advance of the council, the world's customs administrations.

The secretarizet of the Council, the world's customs administrations.

The secretarizet of the Council transfer of information in advance of the council transfer of information is contained in company manifests.

Harmonisations are treated as the council transfer of information in advance of the council transfer of the cou

in express consignments."

Introduction of a standard rate for shipments of slightly earlier reached a measure of higher value.

the world's Customs administrations—how to cope with a business which is rapidly outgrowing regulations which were largely designed before it was invented.

The International Express Conference, which carriers Conference, which represents the major companies, estimates that the industry has grown from industry has grown from industry has grown from the colaims of discrimination disadvantage, leading to claims of discrimination of discrimination by services which are supposed to be neutral. These criticisms have been given valuable support by a confidential survey carried out by Peat Marwick McLintock, the accountancy firm.

The International Express Conference, which are supposed to be neutral. These criticisms have been given valuable survey carried out by Peat Marwick McLintock, the accountancy firm.

Peat Marwick's report provides evidence that the minor changes implemented by carried out by Peat Marwick's report provides evidence that the minor changes implemented by community customs officials and collect it or of other categories.

It calls for reforms to speed up customs clearance, without interfering with checks for contraband and illegal drugs. The Blue Book says this could be achieved by:

WILL Value added in a point of the calls managed to collect it on only 36 of 157 cases.

The IECC executive committee told its annual confercing with checks for contraband and illegal drugs.

The Blue Book says this could be achieved by:

WILL Value added in a point of the calls managed to collect it on only 36 of 157 cases.

The IECC executive committee told its annual confercing with checks for contraband and illegal drugs.

The Blue Book says this could be achieved by:

We account a conference which are supposed to be neutral. These criticisms have been given valuable support for our case.

The Ecc executive committee told its annual confercing with checks for contraband and illegal drugs.

The Blue Book says this could be achieved by:

We account a conference which the case of the case of the case of the case of should be no substantial change.
"This is really because they do not yet understand the full extent of the problem, and how fast this kind of traffic is grow-

ing."
Another said: "What is happening is a process of evolution, which cannot be hurried through faster than individual customs services are prepared

to accept."

The Council is likely to compromise in Ottawa next week on a memorandum of understandcombined with a one-year trial of guidelines encouraging har-

monisation and greater use of electronic information transfers. This will reduce tensions with

SHIPPING REPORT

Recovery forecast in tankers

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

RATES for very large crude carriers (VLCCs) stabilised last week, while, in the dry life. A cargo of 118,000 tons was said to be less than prolife. A cargo of 118,000 tons was taken up on a part-cargo of charterers to push rates lower. Galbraith's, the London brokers, said the level of tanker business seemed likely to pick up in the second half of the month. Fixtures were said to have exblusted as a part cargo of 70,000 tons to be in the process of being concluded for a London-based oil major, Japanese principals, stability in other sectors of the second for a London-based oil major, Japanese principals,

be in the process of being concluded for a London-based oil major. Japanese principals, and other big traders.

Meanwhile, a number of fixtures were concluded for cargoes of 250,000 tons from Hormuz for discharge in the Red Sea area at Worldscale 40, the Far East at Worldscale 35.

A part cargo of 70,000 tons to Singapore.

Brokers reported relative repairs the largest able to transit the Panama Canal) and \$3,800-\$4,000 for the smaller "handy-stae" ships, but owners were said to be developing as an outlet for ships of around 100,000 to 120,000 tons. Rates from Nigeria were said to be relatively happy with these levels.

A fixture of around \$14.50 per ton was rumoured for the key US Gulf to Japan grain rate, which has been falling recently. It is a fixture of around \$14.50 per ton was rumoured for the key US Gulf to Japan grain rate, which has been falling recently. It is a fixture of around \$14.50 per ton was rumoured for the key US Gulf to Japan grain rate, which has been falling recently. It is a fixture of around \$14.50 per ton was rumoured for the key US Gulf to Japan grain rate, which has been falling recently. It is a fixture of around \$14.50 per ton was rumoured for the key US Gulf to Japan grain rate, which has been falling recently.

Europe urged to boost sale of lead-free petrol

BY DIANA SMITH IN LISBON

THE COUNCIL of Europe's 21 of projects with possible environment ministers have environmental consequences. called on governments to speed Rural areas also needed up the availability of lead-free economic and technical assis-

cided to draw up a strategy to public transport, schools, medincrease environmental protection and boost declining rural

co-operation on the environment, stressing that each could have a decent lifestyle in country must assess all the the countryside and want to implications for other countries continue living there.

petrol in order to decrease the tance to study the environmen-negative effects of road traffic on the economy and ecology. projects, and deprived areas on the economy and ecology. projects, and deprived areas Meeting in Lisbon the de-should be given help to finance

cal services, and other facilities. Detailed guidelines for policysectors, focusing on prevention
rather than cure. They insisted
that the principle of the "polluter pays" should extend to
all forms of environmental
damage.

The local data interestional They called for international tourism, energy, transport and



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UK NEWS

Tories aim at reviving inner-city fortunes

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE GOVERNMENT'S new policy drive to regenerate the inner-cities is to be run in parallel with an intensive, Conservative Party cam-paign to re-establish its political power base in the same areas.

Despite the Government's overwhelming general election victory, there is considerable concern within the Tory Party hierarchy at its bad showing in several major cities. In the new parliament, there are no Tory MPs representing constituen-cies in central Glasgow, Newcastle, Liverpool, Mancester or Leicester. The revival of Tory fortunes with-

in inner-city local government has been identified as a crucial step in rebuilding the party's parlia-mentary representation in many city constituencies and in curbing the activities of left-wing councils. Mr Norman Tebbit, the party

chairman, yesterday gave a warning that, apart from London, the Tories were in danger of being comries were in danger of being completely onsted from Britain's great go to the country had been helped cities, where their credibility was low. The intention, he added, was to reorganise in order "to offer a proper, democratic alternative of competent local government in these cities, instead of incompetent or downright unhelpful local government."

nounced, Mrs Thatcher's decision to go to the country had been helped by a computer projection of a 96-seat majority. His own guess had been "somewhere in the 70s."

He admitted, however, that on "black Thursday" in the week becities, instead of incompetent or downright unhelpful local government's health service record came under fierce attack and a Gallup



ly, the Tory election campaign had gone according to plan although not without "our share of little mishaps," He disclosed that, at the nounced, Mrs Thatcher's decision to

poll showed the Tory lead down to 4 per cent, everyone had become "a bit tetchy."

But he defended the performance of Saatchi & Saatchi, the party's advertising agency, and alleged that at US agency — which he did not name — had attempted to take over by exploiting reported problems with the campaign. He said it was not a matter of turning Central Office upside down and saying they did badly but of concentrating on reorganising the inner-city party

The Tories had to be re-established as a credible force in the innercities, able to fight and win elections. The alternative to restoring political balance, he added, was to see many cities left in the hands of Labour authorities who had a vested interest in prolonging decay and dereliction, rather than in attempt-

ing to overcome them.

Mr Tebbit plans to bring together senior Tories, including voluntary workers and former party chairmen, to devise a revival strategy, initially aimed at boosting falling membership. The intention is to improve key staff, review systems for training local government candi-dates and to boost finances. Election aftermath, Page 10

Williams buys Reed paints unit

Moves for reform in losing parties

PRESSURE for early constitutional reforms aimed at improving future electoral prospects is mounting within the leadership of the Labour Party and the SDP-Liberal Alliance.

Moves within the Alliance aimed at seeking approval for a full-scale merger are to begin at once. Mr David Steel, the Liberal leader, said yesterday that he wanted to see a "democratic fussion" of the two par-ties, with the leadership issues - together with his own position - being resolved later.

Labour is also determined to press on with changes aimed at democratising the party and isolating the influence of the extremists who, it believes, must bear much of the responsibility for the party's general election failure.

Mr Roy Hattersley, Labour's deputy leader, yesterday dismissed the possibility of any kind of "anti-Thatcher" deal with the Alliance and said that the implementation of one-member-one-vote for the selec-tion and reselection of parliementary candidates was now "absolutely essential."

A Labour Party working commit tee on the selection process is due to report soon, and there will be pressure to consult and prepare recommendations on any constitutional changes in time for the annual conference in September. Labour MP's have to face reselection within 18 months to three years of the elec

There will also be early moves within the Labour leadership to rethink both policies and the policymaking machinery, in order to present Labour as more forward-looking and to inject more originality to its electoral appeal.

Mr Ken Livingstone, the newly elected Labour MP for Brent East (London), yesterday attacked the "one-member-one-vote proposal claiming that it was "anti-left" and said Mr Kinnock, who was a good Socialist, had nevertheless tried to sanitise the Labour Party. He claimed the only way to reach those who had not voted Labour was the presentation of "more radical, modern and progressive" policies.

Several leading figures within the Liberal and Social Democratic parties yesterday piedged their sup-port for a merger. Mr David Alton, the Liberal chief whip in the last House of Commons, said the Alliance had suffered by having two

The case for a merger was also supported by Mr Alan Beith, the Liberal deputy leader, and Mr Des Wilson, the Liberal president, who said anyone believing the existing relationship was any longer workable was "bordering on insanity."

Mr Steel has called a meeting of Liberal Party officers for tomorrow at which he will present a memorandum, to be sent to Dr Owen, the SDP leader, which sets out options for constitutional changes. The new parliamentary Liberal Party will discuss the document at its first meeting on Wednesday, with the intention of presenting proposals to the autumn conference.

The SDP national committee meets today and will consider its reaction to the merger calls, the ne-gotiations for which are unlikely to prove easy, given Dr Owens's long-

BY NIKKI TAIT

WILLIAMS Holdings, the acquisitive industrial holding group which narrowly lost a £570m bid battle for Norcros in April, is expected to announce today the purchase of Reed International's paint and do-it-yourself operations for a price in excess of £250m. Reed put the division – which is the previous year) on sales of a dominating role.

Williams' offer is thought to have said the division showed "notable growth" in North America. Ironically, Williams' former tarmates of up to £175m for the sale price. The paint and DIY division for the Reed paint operation but says it decided against it on the grounds that paints would remain the division showed "notable growth" in North America.

and Polycell DIY lines - up for sale a month ago. At the time, the group said the divestment was in line with per and packaging interests.

Since then, offers for the paint and DIY business are believed to have come from a number of outside parties as well as from an internal management buyout team, in the western states, taking in the which is reported to have expressed an interest as early as January. One mooted purchaser, the fastgrowing wallpaper and home fur-nishings group Coloroli, finally ruled itself out last Friday.

Reed put the division - which is the previous year) on sales of a dominating role. best-known for its Crown paints £308m (£288m).

The purchase w

Williams is thought to see the acquisition as a means of extending its consumer-related interests - one its policy of concentrating on the of the reasons it bid for Norcros – development of its publishing, pand of enhancing its North American exposure. In 1986 Williams drew only £16m worth of turnover out of a total £206m - from the US.

Frazee Industries and Parker Paint companies, bought in 1984 and 1982
respectively, and also include General Paint of Vancouver, Canada, which was acquired in the 1960s.
Over the last financial year, Reed

The purchase will be Williams'

biggest acquisition to date. The company has been transformed from a small South Wales-based metals group, with a market capi-talisation of under £500,000 six years ago, to a conglomerate by Mr Nigel Rudd, its chairman, and Mr Brian McGowan, managing director. Its interests now range from Rawlplug building products and Swish curtain tracks to specialist

engineering

Survival in balance at Heath loses **News on Sunday**

BY RAYMOND SNODDY

SURVIVAL of the News on Sunday fold the paper by the middle of the newspaper, which was launched only eight weeks ago, could hinge on it finding a substantial new sharehollocal authority pension funds and

der in the next few days. ing millionaire who has been working on a rescue package, is being blocked by the Founders Trust. The trust was set up to protect the ideological purity of the paper and to prevent anyone holding more than

The Trust has not so far complied with an Oyston request to transfer a "golden share" which controls the a "golden snare" which controls me paper. Trust secretary Mr John Bo-hanna, a Ford shop steward said yesterday, however, that they were prepared to negotiate with Mr Cys-

ton from today.

Whithout the effective control of the "golden share" Mr Oyston will not be willing to put up the money to save the paper which is losing more than £130,000 a week.

News on Sunday was launched as a bright tabloid newspaper for serious readers of the left. Yesterday Mr Nicholas Horsley, Chairman said without a long-term financial commitment to put before the board tomorrow "we will have to ists compared with the present 180.

trade unions, is almost gone. Apart Mr Owen Oyston, the Labour-vot-ng millionaire who has been work-ng on a rescue package, is being the paper coming out. The paper is selling 230,000 copies an issue.

Now the general election is over it is uncertain to what extent the Transport and General Workers Union, the largest shareholder, can continue to put in money.

Some of the paper's managers argue that, even if Mr Oyston who has put a total of £500,000 into the project is prepared to back it futher, he is the wrong man to run the paper and that the only hope now is to type of re-insurance business. find a new backer.

Mr Roy Barber, the newspaper's chief executive, has, it is believed put together a £3m business plan which would keep the paper going and prepare it for a 62m relaunch ember, leading to eventual

Under the plan, losses per issue would be cut to £50,000 by September for a circulation of 250,000 with

top brokers

By Mick Stanker

C. E. HEATH, Britain's sixth big-gest quoted insurance broker, has lost five top re-insurance broking executives who are leaving to join Bain Clarkson, a rival Lloyd's bro-

The defections are likely to be seen as a significant blow to Heath, which six months ago was hit by a mass walk-out of 28 senior staff who had been recruited by Citicorp Insurance Brokers,

Mr Simon Arnold, chairman of Bein Clarkson, confirmed last night that he had signed up the five peo-ple from Heath. He declined to name them but said that they formed a team specialising in bro-king London market non-marine s-of-loss (LMX) treaties, a

standing opposition to the idea. BRANCH OFFICES? SUBSIDIARIES? FRANCHISEES?

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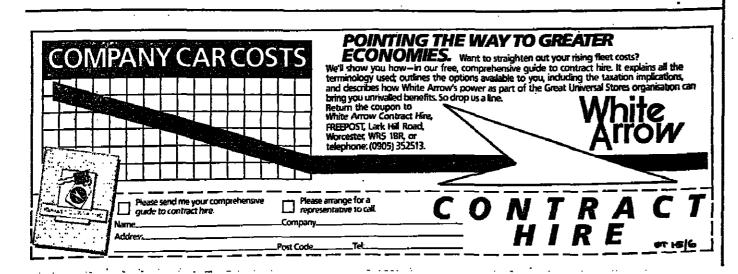
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June 15, 1987

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UK NEWS

Sky's the limit for balloon industry

THERE WILL be more than sporting honour at stake when two British teams battle to make the first Atlantic crossing by hot air balloon this week, weather permitting. For two of the pilots, Mr Per Lindstrand, in the Virgin Atlantic

Fiver with Mr Richard Branson, head of the Virgin Group, and Mr Don Cameron in the Zanussi balloon with Major Jim Howard, run balloon-making companies in the UK which lead the world in both

quantity and quality of production. Mr Cameron, a 47-year-old Scot, whose Cameron Balloons is based in Bristol with a US licensee in Ann Arbor, Michigan, was the first serious UK balloon maker. He had a background in aero and industrial engineering, worked for the former British Aircraft Corporation and then joined Rio Tinto-Zinc, dealing with computers and financial analy-

His passion for ballooning was sparked off by an article in the Na-tional Geographical magazine, after gliding and flying experience. He started making balloons in his baseoutput grew to more than 200 last world in balloontechnology." year, with a £2m turnover.

Andrew Lynch reports on British companies which are leading the world in balloon-making and finding an increasing demand for their products

stunning special shapes, notably ships with an annual turnover of industrial scene there is well suited those for Mr Malcolm Forbes, the idiosyncratic US publisher, which Industries, based in Essex, east of tools and vehicles. England is a include a replica of the Forbes chateau, a giant Harley-Davidson motorcycle and a bust of Beethoven.

Rivalry is intense between Cameron Balloons and Thunder & Colt. headed by Mr Lindstrand and based in Oswestry, on the Welsh borders, where it produces more than 250 balloons a year. Mr Cameron gives the impression that be "It's a fight to the last drop of

Lindstrand. "It has made us techniment in the evenings and set up his cally competent - our equipment is company in 1970. It produced 12 bal- far superior to that of the Ameriloons in its first year, and the UK cans and we are dominating the

Thunder & Colt, the result of the Cameron Balloons at Bristol, in 1983 merger of Thunder Ball Bal-the west of England, employs more loons and Mr Lindstrand's compathan 56 staff. The company has my, Colt, employs about 70 workers built its reputation on a series of producing hot air balloons and air-

London, mainly working on defence products, was purchased in 1984.

Mr Lindstrand traces the resurgence in the popularity of balloon-ing to Pentagon research in the 1960s into recovering pilots shot down over enemy territory. That idea was a flop - unsurprisingly as few pilots were keen to present selves as sitting targets to the cannot bear to speak his rival's enemy - but ballooning took off as a name. Mr Lindstrand, 38, born in sport in the US. One company, Rav-Sweden but now a UK citizen, says: en, led the way and remains the largest US manufacturer.

Both UK companies have benefit-This has its benefits. "The competitive atmosphere has created two highly efficient units," says Mr Lindstrand from the opportunity to recruit apprentices laid off by Brit-

ish Aerospace at Chester. An aero engineer, Mr Lindstrand became an expert in gun sights but was disillusioned at playing a limited part in the design and construction process. "I went to England for the simple reason that Sweden is a high-cost country. The

craft country, where you will find

the skills like basket-weaving and leather work." He cites two factors as essential to the UK industry's growth: the strength of the advertising industry and acceptance from the Civil Aviation Authority (CAA). "You need a civil aviation authority that will related the strength of the advertising industry and acceptance from the Civil Aviation Authority (CAA). "You need a civil aviation authority that will related the strength of the advertising industry and provide packages including public relations, maintenance, crews and support vehicles.

The market does not appear to be near saturation. "We sell every ballong we can build seem to strength of the advertising industry and acceptance from the Civil Aviation Authority (CAA). "You need a civil aviation authority that will respond. We have sold balloons in 37 loon we can build," says Mr Dundifferent countries and not one civil nington. There will be a plateau aviation authority comes near the

ballooning. In October 1977 there ders from America." were 154 certified hot air balloons, compared with 533 in May of this make use of solar heat. Mr Camer-

loons. "There is the person who has

cheap sporting types of balloon with a banner or a simple logo." (A sporting balloon can range from £5,000 to £10,000 while a special shape can rise to £40,000 or more.) Secondly, a company which buys a balloon and does not want to operate it can let a local balloon syndi-

who contract their services - about 40 of them in the UK. Finally, companies such as the Hot Air Balloon Company (Habco), of west London,

but not in the immediate future. Overseas markets offer the best op-Each balloon has to be certified portunities. "America is our growth for airworthiness by the CAA, and market," says Mr Lindstrand. "So its records show the renaissance in far this year we have taken 36 or-

Both transatlantic balloons will on's black Zanussi balloon aims to There are four ways to run hal- draw on it; the Virgin Atlantic Flyer loons, says Mr Phil Dunnington, marketing director of Cameron Balloons. "There is the person who has CORRECTED NOTICE OF REDEMPTION AND PURCHASE

To the Holders of KINGDOM OF SWEDEN

Floating Rate Notes Due 2005 and 3/16 per cent Income Rights Due 1990

NOTICE IS HEREBY GIVEN to the holders of the outstanding Floating Rate Notes Due 2005 of the Kingdom of Sweden that, pursuant to the provisions of the Fiscal Agency Agreement dated January 10, 1985 and the Terms and Conditions of the Notes, the Kingdom of Sweden intends to redeem on July 13, 1987 all of its outstanding Notes, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date and pursuant to the Terms and Conditions of the Income Rights, the Kingdom of Sweden intends to purchase all of the outstanding Income Rights at the Call Price of \$39.82.

Payments will be made on and after July 13, 1987 against presentation and surrender of Bearer Notes with coupons due January 1988 and subsequent attached in U.S. Dollars, subject to applicable laws and regulations, either (a) at the office of the Fiscal Agent in New York City, or (b) at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main and London or Kredietbank S.A. Luxembourgeoise in Luxembourg or Swiss Bank Corporation in Basle.

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Purchase of all Income Rights at the Call Price will be paid by the Kingdom of Sweden upon surrender of each Participant's interest in the Global Certificate and the receipt of certificates of beneficial ownership from the account holders, or agents for the account holders.

Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

Coupons due July 1987 should be detached and collected in the usaal manner.

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KINGDOM OF SWEDEN By: Morgan Guaranty Trust Company

OF NEW YORK, Fiscal Agent

Dated: June 9, 1987

Doubts over moves to full EMS membership

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UNCERTAINTY over whether the Government will now commit the UK to full membership of the European Monetary System is expressed today in a post general election commentary by Warburg

The widespread presumption that the re-elected Conservative Government would take the long-awaited plunge into full EMS membership may well prove to be fiction," it

Mrs Margaret Thatcher's objec-tions to EMS entry might well be reduced after the election, but this did not mean that they had been

But even if the timing for EMS man is entry were still not judged to be come.

right, Mr Nigel Lawson, chancellor of the Exchequer, would wish to continue shadowing the EMS in the hope that he could eventually convince the Prime Minister that her objections were misplaced and that the UK should go in.

Goldman Sachs economic research group, which on previous oc-casions had assumed that a UK ap-plication for EMS membership would follow the election, also sounded a note of caution. It said it was not certain that Mrs Thatcher's opposition - apparently based on fears of losing UK economic sovereignty and subjugation of British monetary policy to the West Ger-man Bundesbank – could be over-

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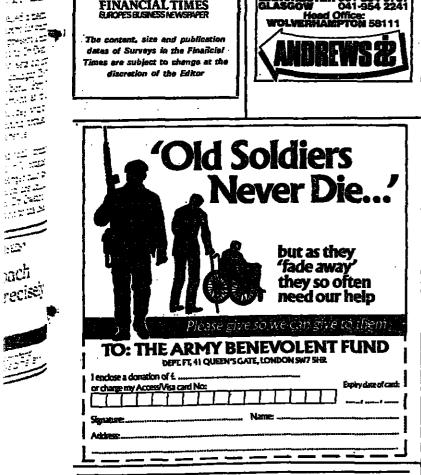
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London

tops flat

rental costs

LONDON EMERGES from the Confederation of British Industry's

(CBI) latest survey of living costs in

Western Europe as the most expen-sive in which to rent a flat.

The rental on a three-bedroom

one-living-room, flat in central London is put at £1,400 to £1,700 a month. This compares with about

£690 in Cologne, and a mere £216 in

House prices, however, do not

show the same variation between

outer London and similar houses

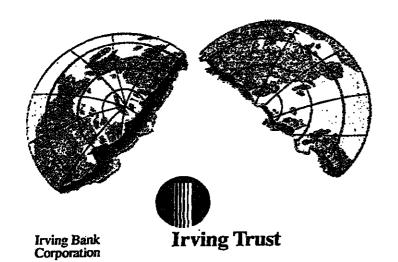
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8

UK NEWS

Syndicate losses may be wrongly estimated

BY NICK SUNKER

London insurance market, face cates liabilities. gross underwriting losses at ££80m

over the next 20 years. day, June 19, fo The PCW 1985 Committee, which accept the offer. speaks for about 400 members of

figure as part of its attempt to settle culations Lloyd's used.

THERE could be a \$100m margin meet the losses. If they agree to do for error in estimates that the troubled PCW syndicates at Lloyd's, the ther responsibility for the syndicates at Lloyd's, the ther responsibility for the syndicates at Lloyd's the synd

Lloyd's has set a deadline of Friday, June 19, for PCW members to

The PCW 1985 Committee gave the syndicates, has learnt that details of the uncertainties sur-Lloyd's believes the losses could ac- rounding the £650m figure in a lettually turn out to be 10 per cent to ter sent on Friday to the members 15 per cent more or less than whom it represents. It said that during a meeting last week with Addi-This is because there is room for tional Underwriting Agencies Num-considerable disagreement about her Three (AUA3) – the company the assumptions and techniques currently managing the syndicates Lloyd's used when it calculated the - it obtained a summary of the cal-

the PCW affair this spring.

As part of the settlement, Lloyd's the £680 figure was subject to a "tolhas asked a core group of 450 members of the worst-hit PCW syndiper cent. The committee said that cetes to contribute £34m to help both Lloyd's and AUA3 had now Lloyd's underwriter.

The committee has been trying to persuade Lloyd's to ask for a lower figure, on the grounds that the fall in the US dollar against sterling has benefited the PWC syndicates, because most of their insurance losses come from payments of claims arising in the US.

It is also arguing that, if the losses eventually turn out to be less than £680m, there ought to be some provision for the PCW members to receive a refund of part of their contribution to the settlement.

The committee has persistently argued that the huge losses arose as a direct consequence of an elabo-rate fraud masterminded by Mr Peter Cameron-Webb, a disgraced

between £100,000 and £150,000 for a three-bedroomed house is given. Clothes tend to be cheaper in London. A two-piece, off-the-peg lounge suit of good quality would cost £150-£200 compared with £233 in Milan and £222 in Zurich.

Salaries also differ substantial in Europe. A sales manager in the UK can expect to be paid between £1,300 and £1,400 gross a month, second-lowest only to Portugal where the rate given is only £706 a month. In Sweden such managers can expect to receive £2,124 and in Austria £3,103.

Income tax will make differing inroads on that salary. In Sweden the effective rate on £20,006 a year, assuming a wife who is not working and one child, is 46 per cent, in the UK 50 per cent and in Austria 39

per cent.
The CBI stresses that the information is intended only as a guide to likely living costs for companies intending to set up industrial or sales operations in particular countries, and not as a study of compara quick glance at costs, however

suggests that most countries offer compensations in some form or another. The Irish manager, for instance, may have to pay nearly £19,000 for his BMW 520, but he can get into a Dublin golf club for between £400-£600, with an annual subscription of £160-£324. In Zurich the comparable fees for a golfer are £8,000 membership fee and £400 annual subscription. The cost of renting office space

city at annual rent of between £240-£353 a square metre. Paris follows a close second at £236 a square metre whereas Brussels accommodation can be rented for as little as £59 a square metre.

West European Living Casts. CBI, 103 New Oxford Street, London WCIA 1DU. £22 to members. £30

Air union move on share votes

By Our Labour Staff

UNIONS REPRESENTING British Airways employees aim to break fresh ground in two weeks' time by wielding a block vote of their members' shareholdings at the airline's first annual meeting in London. Mr Mark Young, general secre

tary of Balpa, the pilots' union, said yesterday it was not yet clear how large the block vote would be. Employees were allocated 8.6 per cent of BA shares in last year's privational and the unions were horized.

over credits.

At NatWest, the union claims, routine administration work such as the issuing of statements and closing of accounts is suffering as staff concentrate on clearings.

Bifu says it has received more that of the British Airports Authority. The labour movement now rethan 1,000 membership applications in a week – many from members of the NatWest staff association which did not achieve the 75 per cent majority vote required by its rules for industrial action.

Inat of the Drivish Alleparts Plantager ty. The labour movement now recognises that it cannot block self-offs but it can influence privatised companies through their worker's shareholdings.

Equipment faults delay BT service

BRITISH TELECOM (BT) has had seen the most intense competition to delay a key part of its plans to improve its services in the City of

electronics group.

The delay will damage BT in its effort to fight the challenge by Mercury Communications, BT's sole network rival, in the City which has would be able to offer City custom-

between BT and Mercury. BT has been planning to intro-London because of faulty equip duce a new service, known as Fast, ment delivered by STC, the UK which would allow City customers duce a new service, known as Fast, to be directly connected to a new fibre optic network. Mercury already

ers better quality services and would probably also cut prices to businesses using the Fast network. BT has now had to delay signing up its Fast customers. It had been

planning to do so in April. The problem concerns Multiplex equipment which manages the transmissions going out over a tele-

Overtime ban disrupts banks

By David Brindle

AN OVERTIME ban in Lloyds, Barclays and National Westminster banks has disrupted routine administration and delayed the clearing of payments by up to a day, according to the Banking, Insurance and Finance Union (Bifu)

shows sharp differences. The City Bifu's 50,000 members in the of London, not surprisingly, is more three banks voted to ban overtime expensive than any other European since last Monday. Members of the in-house staff unions at Lloyds and Barclays – but not NatWest – are taking similar action over the im-posed 5 per cent pay settlement. said by the employers to be worth

up to 7.5 per cent for some grades. The union says that the effect of monstrates widespread anger over the pay rise and that the banks should return to the

negotiating table. In Barclays, the union maintains. many branches were unable to open late as usual last Thursday; managers at data processing centres are having to work wee to make up for lost overtime working by their staff; and processing of Barclaycard and Connect card transactions has been delayed.

In Lloyds, Bifu says, branches throughout the country are displaying signs informing customers that delays can be expected; payment clearings are being held back until the following day; and work on account debits is being given priority



Number 874 from my watch collection.

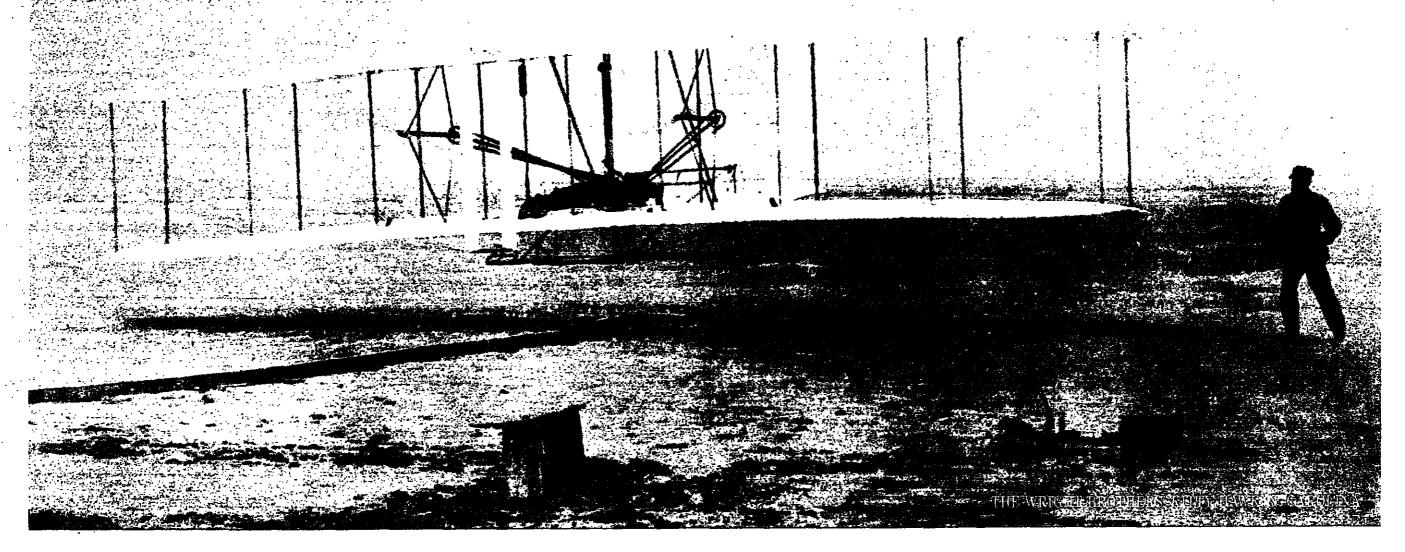
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The omens were less than auspicious. A previous attempt, two days earlier, had ended with the world's first twin-ruddered flying machine nose down in the sand.

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Overnight, the stiff Atlantic North Easterly they'd waited for had arrived alright, but it was gusting, unpredictable.

And there, peering through the pale morning sunlight with one beady eye, was a sight to put the wind up the most intrepid aviator: Kill Devil Hill.

The brothers Wright from Dayton, Ohio



must have wished, over their hash browns, that they'd stayed at home.

Instead, by 10.35am that December morning in 1903, having braved sheets of ice and the waves of indifference their endeavour had engendered, the deed was done.

Orville Wright had flown the chain driven, 12 horse power, Flyer 1 for 12 seconds at an altitude of 12 feet and an air-speed of 30mph.

The village of Kitty Hawk, North Carolina

was in the history books.

And Orville's elder brother, Wilbur, had turned to the rest of the audience present at

this epoch-making event (four men and a schoolboy) and asked if any of them had the right time.

Tomorrow, 84 years, a zillion horse power, 36,000 feet and 600mph later, North Carolina will again play host to a piece of aviation history.

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Problems facing the Dutch welfare system as the population ages are examined by Laura Raun

The greying of the Netherlands

WHEN ABOUT 100 angry old people blocked tramlines in Amsterdam last month in pro-Amsterdam has mount in pro-test against planned mursing home closures, it was a sign that the greying of the Nether-lands population could no longer be ignored. The rapidly growing numbers of old population are compelling that country— and most others in the de-veloped world—to make hard choices about how to care for

For the Dutch, the threat is that the country's lavish wel-fare system will be stretched beyond its limits and an already sluggish economy will be dragged down further by a population of more retirees and fewer workers. About one in five people is aged 55 or more and that figure will jump to one in three by the year 2035.
This "greying" trend is expected to cost the government around F1 12bn (£3.6bn)

in extra social security pay-ments—particularly pensions, housing and health care by the end of the century, according to a civil service report. That amounts to about 3 per cent of today's gross domestic product. The complexity of the problem, its political sensitivity and emo-

tional dimension, however, have stymied the centre-right govern-Prime Minister, and left it struggling for solutions.

Other European countries, as well as Japan and the US, face similar threats to a greater or lesser extent. In West Germany the population is "greying" even faster than in the Netherlands.

The question of finances is cent of those over 80. paramount. In the Netherlands, two-thirds will live alone.

fuelling the problem. One is the sharply falling birth rate, which means fewer working people to support the aged. The other is the fact that the The other is the fact that the elderly are living longer because of better health care.

For women, the problem is even more acute. By the turn of the century, women will represent 60 per cent of those 65 years and above, and 70 per cent of those over 80. About trenthing will live alone.

	- •	STATE PENSIONS (% of notional income)				
Year	Netherlands	W Germany	Japan			
1984 2000 2010 2020	12.2 13.5 15.2 19.8	13.8 16.4 19.1 21.7	12 15.4 18.3 20			

Government old-age pensions account for nearly one-third of all social welfare benefits and that will climb to half by the costs will also rise consider-

ably. Two demographic trends are

The sharp drop in the num-ber of workers compared with retirees seriously threatens economic growth. Now there



reduce the actual number of workers). By the year 2030 the ratio will drop to a potential 2.75 workers for each pensioner, according to demographic fore-casts from the Organisation for Economic Co-operation and Development (OECD).

In West Germany the trend is even more pronounced with the ratio falling from about four to one now to around two to one in 45 years, according to the OECD. In Japan it is expected to shrink from seven to one to three to one, the OECD reckons.

Views on housing the elderly in the Netherlands have changed much over the years. are nearly six potential workers in the Netherlands have for each pensioner in the changed much over the years. Netherlands (although high unlike the latter of the latter

often in the southern provinces. As many as 11 per cent of senior citizens lived in these heavily subsidised retirement homes in the 1960s.

But over the years it became evident that old people dis-liked being uprooted. Moreover, the cost of institutional housing climbed faster than

Now housing policy has shifted direction. Mr Lubbers' Christian Democrat-Liberal Christian Democrat-Liberal coalition Government has turned away from institutional care and moved towards indi-vidual care so that pensioners can continue to live at bome as long as possible. In future this will mean relatively fewer retirement and nursing homes and more at-home services. But as the militant old folk in Amsterdam made clear not everyone is happy with the new

policy.
At the moment about 90 per cent of senior citizens live at home and only 81 per cent in figure which the Government hepes to bring down to 7 per

cent in coming years.
Mr Lubbers sees this substitution of informal care for professional services as part of a much broader shift to a "car-ing society" and away from the "caretaker state." The aim is two-fold: to cut costs and to foster the independence of the aged, in that order. A greater reliance on chesper, informal care and less on dearer, professional services should save the government about Fl 1.4bn by the year 2000.

But scepticism abounds, Elderly Policy Under Fire, a recent study done by two socio-logists under contract to the Ministry of Health, Education and Welfare, concluded that a "nostalgic and moralising view of a caring society hinders a realistic look at social developments with respect to family care and volunteer work."

fitting homes with aids for the elderly will be costly.

Mr Johannes Regelink, the 74-year-old head of the Dutch Federation for the Aged adds: "Friends and neighbours already do all they can. But the elderly also need privacy. You can't ask a neighbour for help in every situation."

Government old-age pensions.

Government old-age pensions, to which everyone reaching the people must pay more taxes age of 65 is entitled, now and (social welfare) pre-absorb more than 12 per cent miums."

homes located in quiet areas of national income and will surge to nearly 20 per cent by the year 2020, according to projections by the OECD. By comparison state pensions account for almost 14 per cent account for almost 14 per cent of national income in West Germany and will spurt to nearly 22 per cent by 2020, while in Japan the figure will triple to 20 per cent.

About 60 per cent of all retired Dutchmen live only on benefits

government pension benefits, which are a flat amount in-dexed to the legal minimum wage under a scheme estab-lished in 1957. Around 22 per cent of retirees also receive a cent of retirees also receive a private pension but that percentage is forecast to triple or quadruple in coming years along with the proliferation of corporate pension plans.

Senior citizens complain that their state pensions have fallen by 13 year cent over the next

by 13 per cent over the past six years because the minimum wage has been frozen along with welfare benefits as part of austerity measures brought in under Mr Lubbers. But the overall financial position of the elderly has generally improved because of the expansion in private pensions.

"If you talk of independence you must have the income," insists Mr Regelink, who re-tired at the age of 64 and has chaired the federation for the

leisure time. Food companies and leisure time. Food companies purvey low-calorie delicacies at high prices, clothing makers offer fashionable chunky-heeled shoes for women and hair-care firms push stylish dyes and potions for balding men.

to ignore the old. Mr Eelco Brinkman, Minister

past six years. "Maintenance of purchasing power is impor-In the US senior citizens have blossomed into a growth industry, enhanced by their rising disposable incomes and

But in the Netherlands and most of Europe corporate marketing executives still tend

More working women will fare, is primarily responsible fitting homes with aids for the for the Government's policies elderly will be costly. parliament recently: "We must distance ourselves from the thinking that the problems per

definition can only be solved if they are paid for by the Government.

"If care for the elderly is collectively paid then a rela-tively small group of young

APPOINTMENTS

Shipbuilding post

Mr William Scott, managing director of engineering operations at BRITISH SHIP-BUILDERS, has been appointed managing director of the corporation's largest shipbuilding subsidiary, North East Shipbuilders. Dr Peter A. Milne, British Shipbuilders' board member for ship and enginebuilding ber for ship and engine-building, has relinquished the role of orary executive chairman of

HERMES (GB) has appointed as managing director Mr Antheny J. Bettomley. He joins from Alfred Dunhill, where he was a director.

Mr John Alexander, Mr Rob Cattle, Mr Piers Inskip, Mr Peter Jermy, Mr Pani Qelmann and Mr Cyrli Theraten have been appointed directors of SPENCER THORNTON AND CO, stockbroking division of the Fredericks Place Group. Mr Alexander, Mr Jermy and Mr Oelmann are on the private client side, while Mr Inskip becomes research director. Mr Rob Cattle is finance director of the parent company. director of the parent company, Fredericks Place Holdings. Mr Thornton joined earlier this year from Britannia Portfolio Managers where he managed private client and institutional funds. He will perform a similar funds. He will perform a similar function at Spencer Thoroton where he has been appointed managing director of Spencer Thoroton Investment Management Services. Mr Brian Burfoot, Mr Bernard Kimm, Mr Richard Medlin and Mr Roy Stevens have been appointed associate directors of Spencer Thoroton and Co.

At J. H. MINET & CO Mr Eric Doodes, Mr Raymend Tatchell and Mr Ray Tarner have become senior administration directors.

Mr Mark Latham has joined PEPE as international business manager. He has been merchandise director of Fosters, buying director of Topshop and managing director of Fentons.

MINET
BROKERS (UK) has appointed
Mr Roger Durman, Mr Graham
Hudson, Mr Daniel O'Brien and
Mr Kenneth Rolls to the board. MINET

KODAK has appointed two directors: Mr Geeff Brooks as director and manager, legal and corporate public relations, and Mr Tony Waterlow as director and manager, finance, administration and customer services division.

DIXONS COMMERCIAL PRO-PERTIES has appointed Mr Stephen Catchpole to the board from June 22. He joins from Stevenage Borough Council, where he had the distinction of being the youngest ever chief executive appointed in this

AT & T AND PHILIPS TELE-COMMUNICATIONS (UK), the company combining the resources of the US and European leaders in telecommunications, has appointed Mr J. F. Boag as managing director. He will join the company in June and the appointment will take effect on September 1. In 1982 Mr Boag became chief executive of BT Trunk Services, and in 1986 chief executive of Telconsult and network investment overseas division.

Mr Guy Libby has been appointed deputy chairman of TELEVISION SOUTH Mr Libby, who is also a director of Abingdon Management Company, a founder shareholder of TVS, replaces Mr David Quayle who recently resigned to join Granada's leisure and consumer services division.

Lerd Stevens, chairman of United Newspapers, has joined

Mr John Miller has been appointed financial controller of the property development division of WHITECROFT. He was formerly financial controller and the property development division of Formerly financial controller of the property development division of WHITECROFT. He was formerly financial controller of the property development division of WHITECROFT. He was formerly financial controller of the property development division of WHITECROFT. He was formerly financial controller of the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and company secretary at Salvesen appointed financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and the property development division of WHITECROFT. He was formerly financial controller and



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INTL. COMPANIES & FINANCE

Richard Lambert on the man who has transformed American Can

Tsai shrugs off the Go-Go image

GERRY TSAI, at 58, has made it to the top of the pile. The man who 25 years ago was known as one of the wildest, and most successful, gunslingers or Wail Street is today chairman of a leading US public company—one of the 30 shares in the Dow Jones Industrial Average.

Never a flamboyant figure, Mr Tsai is now a reserved almost retiring character, who places great emphasis on his prudential approach to business. "I'm getting older," he says, "I don't want to be that risky."

But he has shaken up his company almost as much as he revolutionised the fund management business in the old days, when he turned over his port-folio at what then seemed like

'Any business that we have we will keep. And the day it doesn't meet our objective, we will sell it '

an outrageous rate, and plunged into speculative shares like Polaroid, Litton Industries and

Under his influence — and latterly his direction—American Can has sold off its paper and packaging assets and freed up around \$2bn for reinvestment in financial services and speciality retailing. Renamed Primerica (pronounced pri-MER-ica), the company is nearing completion of a \$750m agreed bid for Smith Barney, an established US investment banking and securities firm.

Although the concept of the diversified financial services company has become somewhat tarnished in recent years, Mr Tsai cites American Express as a model of successful diversification. Smith Barney will broaden Primerica's financial business, which has been built around insurance, investment management and mortgage banking, and give the group its first important presence outside the US, notably in

The question is whether he is still acting as a portfolio no regrets about the go-go

larger scale—or whether he has some grand strategy for the all, state that the company's US packaging businesses were not for sale—only to respond enthusiastically to a bid approach late last year from Triangle Industries?

"That was a misquote," in-terrupts his Formidable Public Relations Person. But Mr Tsal is not committed to any particular shape for the group, and claims not to think about its structure in five years. "I can't see as far as you can," he says

He is, however, clear about a specific goal. The mandatory retirement age at Primerica is 65—a point which he made twice during the course of the interview—and so time is limited. "Our goal is to double the company's earnings per share over the next five years,"

"Any business that we have we will keep—as long as it is profitable and meets our objective," he adds. "And the day it doesn't meet our objective." tive, we will sell it."

How good is the track record? Mr Tsai is dogged by his prominent role in a memorable book, The Go-Go Years, by John Brooks in 1973. Practically all the press clippings since then seem to have drawn in one way or another on this not hugely flattering account of Mr Tsai's early years—his birth in Shang hai, his move to the US at the age of 17, his all-star years as a fund manager at Fidelity, and what Mr Brooks described as his apotheosis.

This came after Mr Tsai had set up his own mutual fund, which pulled in an extra-ordinary \$247m on its initial launch in 1966. But he was to do a lot better out of it than his customers. In 1968 his performance turned sour, and he cashed in his chips by selling his company to CNA Financial for about \$30m. His status as a public hero dis-appeared overnight.

"Everybody always goes back to 1968," complains the Formidable Public Relations Person. "He has been in business for 35 years, and each of successful except for that one

albeit on a much he began what Business Week deal will take the debt/equity was to describe later as a come-back so dramatic "that it verges on_reincarnation."

That was when he started his move into the insurance business, a process which received an enormous boost in 1982 when American Can, anxious to diversify away from packaging, took the business over. The deal gave Mr Tsai a substantial personal stake in the company, something which clearly in-fluences his approach to its expansion today.

"It is nice for Roger Smith [of General Motors] to take a



Mr Gerry Tsai: "We are good guys "

years. "They were terrific," he says. And being Chinese was a big plus. "Thousands of portfolio managers went around the country to talk to brokers about selling funds in the old days. I was the only one that did not look Irish."

After a few years with CNA, where his performance earned distinctly mixed reviews. Mr Tsal moved on to run his own brokerage firm through the mid-1970s. Although he says it was tremendously profitable, it failed to make any great impact and it was only in 1978 when risk by buying a company for \$3bn," he observes, "It is not his money. When we spend our money, we think about it -

The acquisition of Smith Barney clearly does not satisfy his global ambitions, but the next big deal could be a little way off. With shareholders Mr Tsai is philosophical about history's verdict, but has funds of roughly \$1.5bn, the ratio up to around 50:50, which he says is too high. much room for more big deals."

When they come, they will when aney come, they will be friendly. Mr Tsai is strongly opposed to hostile bids, especially in the financial services business where you usually have to pay a big price for goodwill. He has a good relationship with Kleinwort Benson, the UK merchant banking group in which Primaring. ing group in which Primerica held a much discussed stake until earlier this year.

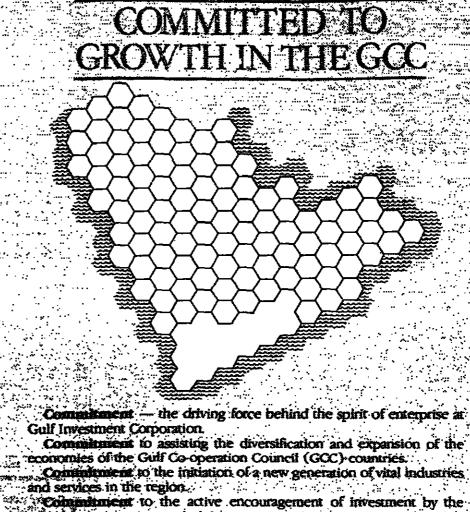
He also shuns greenmail.
We are good guys," he states "We are good guys," he states firmly. And Smith Barney will not be willing to use its own capital on any scale to back clients in contested takeovers. That business, he says, is just

So far, Primerica's perform ance has been impressive. The group recorded a net loss of nearly \$137m in 1982: last year's net income was up to \$175.2m, and the first quarter of 1987 brought an earnings gain of 17 per cent. Two years ago, it had to write off \$29m following problems with a title and mortgage insurance busithan made up for in 1986 when it sold 17 per cent of an asset management company for \$79m
—double what it had paid for
the whole business three years

It was this performance which brought promotion at the begin-ning of this year to chairman and chief executive, over the heads of longer established candidates.

Although Mr Tsai says h never interferes with the management of the mutual fund business, he is still actively interested in running the insurance funds. He retains an unemotional approach to portfolio management. "If we like a If we don't like what they are doing, we sell the stock. I don't have time to go and talk to them about how they should run their business,"

And although he confesses to being very wary of share prices in Tokyo, he is happy with the US market and, no doubt, with the performance of his shares in Primerica. They have fallen back sharply from their year's high point but still trade at about \$42—something like three times their value when he moved in five years ago.



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INTERNATIONAL COMPANIES and FINANCE

Paul Betts explains why the secretive tyre maker is seeking new equity

Michelin opens its doors to the public

NOTICE IS HEREBY GIVEN that, pursuant to the provisions in the terms and conditions of the above-mentioned issue, Kowait Investment Company (S.A.K.), as Fiscal Agent, has drawn by lot, for redemption on 1st August, 1987, at 100% of the principal amount thereof, through operation of the Sinking Fund, US \$8,000,000 principal amount of said 11.1% Bonds due 1st August, 1990 bearing the following serial numbers: 02786-02825 01717-01756 00983-01022 00141-00180 03092-03131 01841-01880 01119-01158 00292-00331 03464-03503 02112-02151 01220-01259 00505-00544 04050-04089 02279-02318 01318-01357

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Furthermore, pursuant to condition 3 (b) in the terms and conditions of the Bonds, ECSC has elected to prepay all other outstanding Bonds bearing serial numbers other than those listed above in the aggregate amount of US \$18,000,000 at a redemption price of 101½ of the principal amount thereof on 1st August, 1987.

On 1st August 1987, all Bonds will become due and payable at the principal amount thereof in such coin on 1st August 1987, all Bonds will become due and payable at the principal amount thereof in such coin on 1st August 1987, all Bonds will be come due and payable at the principal amount thereof in such coin of the United States of America as is legal tender for payment therein of public and private debts and will be paid upon surrender thereof at the offices of Kuwait Investment Company (S.A.K.), Mubarak Al-Kabir Street, Kuwait City, State of Kuwait, or at the option of the bearer, at the main offices of Banque Al-Kabir Street, Kuwait City, State of Kuwait, or at the option of the bearer, at the main offices of Banque Internationale a Lumenbourg S.A., in Lumenbourg, Banque Nationale de Paris in Paris, The Chase Internationale and Nationale de Paris in Paris, The Chase Swiss Bank Corporation in Basle.

Swiss Bank Corporation in Basic. Bonds should be surrendered for payment together with all unmatured coupons appertaining thereto, ing which the face value of the missing unmatured coupons will be deducted from the principal amount. From and after 1st August, 1987 interest on all boads of the above mentioned issue will cease to accrue.

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the first time in its secretive Swiss holding company, which history, the French tyre group, lost SFr 606m in 1982, Fw its the world's second largest after profits rise 124 per cent last the world's second largest after profits rise 124 per cent last Goodyear of the US, invited a group of European financial analysts for a buffet lunch under a large tarpaulin beside its main tyre testing track just outside the form. side the town.

ries the modest title of "gerant" or managing partner, was also there to greet the analysts from London and Frankfurt. The same day, the analysts had been given a briefing of Michelin's financial situation and prospects. The day before prospects. The day before, another planeload of analysts from Switzerland and Belgium had been flown down to Cler-mont to be given the same treatment.

"It is quite unprecedented for Michelin to invite analysts for such a visit," acknowledged a Michelin executive. But then times and circumstances have changed, even for Michelin. The cnanged, even for micretin. The company, famous for its traditional discretion, is now opening itself up to the outside world and becoming in the words of another official "a more normal kind of company."

But the French group, which transformed the tyre industry with its revolutionary invention of the radial tyre, is not only abandoning its old introvert habits, it is also actively encouraging greater public owner-ship. Michelin has just opened about 10 per cent of the capital of its large international hold-ing company based in Switzer-land — Compagnie Financiere Michelin (CFM) — to outside shareholders.

Until now, the French group of CFM, which incorporates all of Michelin's extensive indus-trial, commercial and research activities outside France. With sales of SFr 8.68bn (\$5.86bn) last year, it accounts for about 75 per cent of Michelin's total group turnover.

The operation, involving an

raise SFr 30m in fresh cash for Michelin. "This will help us reduce debt, and in my opinion the best investment we can do right now is to pay back debt said Mr Michelin.

After losing in the three years to the end of 1984 more than phrase, FFr 8bn (\$1.33bn), Michelin an ecolo has now staged a spectacular re-

IT WAS a strange and rare covery. Group profits were sight, at least for Clermont FFr 1.95m last year on sales of Ferrand, the large provincial FFr 46.35m, compared with procity in central France which is fits of FFr 1.045m the year besynonymous with Michelin. For the first time in its secretive Swiss holding company, which

about SFr 4.5bn.
Yet there is more to the Swiss Mr Francois Michelin, the discreet and retiring patron of the tyre group, who still carries the modest title of "gerant" issue in France last year and another France last year and another the street of the Swiss issue with strengthening operation. Mr Michelin believes that by open-ing up his group's capital to long term, stable public share-holders, Michelin will be able to preserve its independence and freedom as well as financ-ing its continuing international ing its continuing international developments.

With a Swiss operation, Michelin will now have two whiches to raise equity financing and broaden its equity base—the French Michelin holding company and the Basle-based company. Michelin also decided to make the Swiss holding make the Swiss holding vehicle into a public company because of its size and importance in the group.



Mr Michelin makes no secret of his anxieties over the new business climate of unfriendly takeover bids and corporate raiders. Not that Michelin itself is in any great danger since family control remains solid, to say the least.

But he says he was shocked by Sir James Goldsmith's raid on Goodyear, Michelin's main international rival. "What happened was very serious for Goodyear. It is the sort of thing which can destroy free enter-prise," he said. Indeed Mr Michelin, whose paternalistic and understated management



Mr Francois Michelin: anxious about unfriendly takeover bids

the appearances of a company in confident spirits, it is in large part the result of the group's Michelin, which has already invested about \$1bn in North America since the early 1970s, and Mr Michelin's long term approach to industrial strategy. is planning to spend a further \$200m over the next three to The peculiar structure of the group, which is run as a partgroup, which is run as a part-nership, has enabled it to take a long view even at difficult times, says Mr Behrouz Chahid-Nourai, the finance director. "Partnership is the ethics of four years to increase production there by 30 per cent. It is also planning to spend \$100m to double capacity in Brazil. making a profit, and is esti-mated to be generating annual the management of this group and the managing partner can take long term risks and strategies," he added. sales of about \$1.5bn, it took strong nerves on the part of Michelin to pursue its costly American investment pro-gramme in the early 1980s. At

This has not been the case of all Michelin's competitors. American The reason we are so successful in the US is because of the mistakes of our competitors, Mr Michelin likes to say." Mr Chahid-Nourai told the analysts. "And the mistake was to delay entry into radial tyres because quarterly earnings preoccupations.

Michelin, which built its first North American plant in the 1970s, is today the leader in the US radial tyre market for trucks. It had 11.4 per cent of the US original equipment passenger car tyre market last year, while in the US passenger tyre replacement market it had an 8.8 per cent share, behind Firestone with 9 per cent and Goodyear with 15.5 per cent.

after 1970. Yet this would not have been possible without the group's long term approach to

sk. While pursuing its ambitious while pursuing its ambibius and costly investment programme, Michelin also set about a sweeping restructuring of its operations. It improved productivity, reduced stock levels and cut financial costs. The group, which now employs the cost its cost and cost and cost are required. 114,000 people, has cut its French workforce by about 12,000 since 1982 and its inter-national workforce by another 11,500. Stocks of Michelin's international operation outside France accounted for 38.5 per cent of sales in 1981. The ratio was brought back to 29 per cent by 1984.

Group productivity has been rising by 9.5 per cent a year since 1982, says Mr Chahid-Noural. Investments have also now been reduced to a more normal level of 44.5 per cent of sales, although this is still above the 3.5 per cent industry average. But Michelin has kept up a particularly high vel of annual research. Although Michelin still lost money in France last year, the restructuring is expected to start bearing fruit. Analysts expect the French Decration to be in the black or at least break even this year, although Mr Michelin prefers to say more

cautiously that his target is to see the French operation firmly see the French operation army in the black by 1988.

Another striking example of the evolution and more outward approach in the way Michelin is now doing business came at the beginning of this year. This involved Michelinks to them up with

plunging into the red. venture Mr Michelin admits he was worried stiff. But he pre-ferred to persevere, even at the risk of seeing debt grow to what he acknowledges was a level "beyond the reasonable." He also admits that there

were many worried people inside the company in the 1970s when he decided to conquer North America. For a com-

But if North America is now

the time, the car industry was

in crisis and the group was

prise," he said. Indeed Mr Michelin, whose paternalistic and understated management style seems to command great loyalty among his troops, says with a typically Michelin phrase, "the real capitalist is an ecologist."

If Michelin today gives all Move in the said. Indeed Mr Michelin America today as much as 28 per cent of Michelin's group sales, with France now accounting for only 16 per cent. North America today has, in the words of Mr Chahid-Noural, "probably the most modern industrial tool in our business on expecially outside France." Of meet the analysts, but Michelin pared with 31 per cent for the world, half have been built see them in Clermont," he said

lin's decision to team up with Wuon Poong in a South Korean joint tyre production The deal marks a rare depar-

ture in Michelin's traditional "do it alone" strategy. Indeed. it had never before entered into a 50:50 joint venture agreement with another manufacturer, preferring in its inde-pendent fashion to control entirely its industrial and commercial operations at home and

North America. For a company with such deep provincial roots—and Michelin was then only about one-fifth the size of Goodyear—it seemed at the time an extraordinarily ambitious move.

The risks seem to have paid off. Michelin today has, in the words of Mr Chahid-Nourai, "probably the most modern industrial tool in our business especially outside France." Of the group's 51 factories around the most modern to the group's 51 factories around gets them all to come down to



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Thatcher keeps options open as reshuffle introduces more of the same

MRS THATCHER is a Fabian tive Party chairman, have both when it comes to changing her indicated they do not want to Cabinets— a believer in the serve a full parliament. Some inevitability of gradualness of the appointments, like Sir Stage by stage a few long-michael Havers as Lord Chanserving ministers are dropped, cellor and Mr Paul Channon as some promising middle-ranking ones promoted and an eye is look like long-term ones. kept on the next reshuffle in a year or 18 months' time.

Transport Secretary, do not look like long-term ones.

The departures are largely predictable — Lord Hailsham,

government she has decided against now — affecting the Departments of Trade and Industry and Energy and splitting the Department of

ones promoted and an eye is kept on the next reshuffle in a year or 18 months' time.

The team announced on Saturday is unlikely to last the full parliament. Only 13 of the 21 in the June 1983 Cabinet survived until the start of the election; now only eight remain (with one returning). There are now only five survivors of her first Cabinet in May, 1979.

Saturday's reshuffle has clearly been fashioned to allow another one in the middle of the parliament when Mrs Thatcher may undertake the changes to the machinery of government she has decided an increasing the continuing strains produced by his wife's injuries in the Brighton bombinjuries in the Brighton bomb-ing of 1984.

Mr Tebbit will oversee 2 reorganisation at Conservative Central Office after the remark-Health and Social Security. able semi-public squabbling Moreover, Lord Whitelaw, the leader of the Lords, and Mr Norman Tebbit, the Conserva- advisers over the role of Peter Riddell assesses the Prime Minister's Cabinet changes

His decision not to remain in the Government is not the polithe Government is not the poli-tical sbock it would have been a couple of years ago. Mr Tebbit has not looked even a possible successor to Mrs Thatcher for some time and clearly prefers to make a break at 56 to be with his family, and possibly with his family, and possibly later to go into business, rather than face the burden of a major department. In a warm exchange of letters Mrs Thatcher remarked on the loss of his "wit and debating powers round the Cabinet while"

Their replacements contain few surprises. Mrs Thatcher has long wanted to recall Mr Cecil Parkinson and her closest advisers have dropped their doubts, believing he can no longer be damaged by further their the press reports on the Sara Keays affair. The Department of Energy is an obvious place for him to re-enter the Cabinet, with major decisions ahead on

always the most likely success to someone as popular with MPs as Mr Biffen. However, Mr Wakeham is likely to play

Saatchi and Saatchi, the Tories' the form of electricity pri-will be a popular appointment advertising agency.

Wr Parkinson is also the Despite recent ill-health, Sir Mr Parkinson is also the exception to the general rule under Mrs Thatcher that those dropped almost never return. There is, as expected, no place for either of the Westland casualties, Mr Michael Heseltine and Mr Leon Brittan (despite Mrs Thatcher's letter to Mr Brittan in January 1986 expressing hopes about his return to office).

Mr John Wakeham was a highly successful Chief Whip with a proven "feel" for the House of Commons, so he was always the most likely successor

ment. And there is little surprise over the promotion of Sir Patrick Mayhew, the Solicitor General, who has frequently deputised for Sir Michael.

The other promotee, Mr John Major as Chief Secretary, is the least known, but has a high reputation at Westminster and now has one of the most crucial roles with responsibility for public spending.

Mrs Thatcher has also switched around several ministers. In particular, the duo of

ters. In particular, the duo of Lord Young and Mr Kenneth Clarke (the latter becoming Chancellor of the Duchy of Lancaster rather than Payments Generally master from the Care of the Care The choice of Mr David
Waddington as Chief Whip fits
the pattern of choosing someone who has served in the whips office for a time and perience in a department. He item. In particular, the duo of Lord Young and Mr Kenneth Clarke (the latter becoming Chancellor of the Duchy of Lancaster rather than Paymaster-General) move over then obtained ministerial experience in a department. He

union legislation. pressure for a shake-up at the

Some MPs had thought that Mr Paul Channon, an emergency choice at the DTI in the Westland crisis, was likely to be dropped after a controversial 18 months. But Mrs Thatcher generally likes to give ministers longer to prove themselves and at Transport, many of the key decisions. On the Channel Tunnel, BA and airports, have already been taken by Mr Moore.

and Trade and Industry Secretarie and, since 1979, successively Agriculture, Energy and Welsh ministers. He has retained office, while most of his former allies and colleagues have departed.

The reshuffle is not, of course, complete and there will be further changes at the middle and junior level in the next day or two. Mrs Thatcher has to replace the three Scot-DTI after four secretaries of state in the past four years, so further ministerial changes in this department are expected. The other significant switch is of Mr John Moore from Transport to Health and Social Security. The Tories came under considerable pressure during the campaign over the health service and its allegedly "uncaring" image. Mr Moore,

who has a reputation as a good communicator. is expected to co-ordinate the Government's counter-attack on this issue. Mr John Macgregor was an obvious choice to take over as Agriculture Minister since he

and at the Department of fluence. His career appears the reverse of the normal promits the next stage of trade with the next stage of trade union legislation.

His career appears the reverse of the normal progression, starting, between 1970 and 1974, as Environment Some MPs had thought that and Trade and Industry Secre-

Agriculture Minister since he served in the department as a minister of state. Mrs Thatcher wants to use his Treasury experience to tackle rising agricultural spending and the general position of farmers.

The other changes are largely consequent. After nearly six years at the DHSS Mr Norman Fowler was due to be moved

Tory MPs and Mr Walker at least has the seniority and commons experience to deal with complaints from opposition opposition of the Commons experience to deal with complaints from opposition opposition of the Surprise is that Mr Walker at least has the seniority and commons experience to deal with complaints from opposition with complaints from opposition of the Cobinet, the result will be to bring on younger ministers and back-commons experience to deal with complaints from opposition of the Cobinet, the result will be to bring on younger ministers and back-commons experience to deal with complaints from opposition with complaints from opposition of the Cobinet, the result will be to bring on younger ministers and back-commons experience to deal with complaints from opposition of the Cobinet, the result will be to bring on younger ministers and back-commons experience to deal with complaints from opposition of the Cobinet, the result will be to bring on younger ministers and back-commons experience to deal with complaints from opposition of the Cobinet, the result will be to bring on younger ministers and back-commons experience to deal with complaints from opposition of the cobinet, the result will be to bring on younger ministers.

Havers replaces Tory philosopher Hailsham as Attorney General BY JOHN HUNT

THERE COULD be no greater the Admiralty and Lord Presi-contrast than that between Lord dent of the Council. Hailsham, aged 79, the retiring In 1957, following the Suez Lord Chancellor, and Sir Michael Havers, the Attorney moment at the Conservative General, aged 64, who has been Party annual conference, when

In his parliamentary career file by loudly ringing a hand-spanning nearly 50 years the bell and declaring that "it tolls rumbustious Lord Hailsham has for Socialists." Sir Michael has also been no

stranger to controversy, notably in the row over Westland, the Zircon spy satellite affair and Mr Peter Wright's MI5 memoirs. But throughout these travails he has been very much the pre-cise lawyer's lawyer and has never lost his urbane compo-sure, even under fierce criticism. Over the weekend, Lord Hail-sham made his departure with typical style and a strong sense of tradition. He was kissed on

the Lord Chancellor's gold robe to go back in its tin box. He hoped that he had worn it without dishonouring the memory of his father, the first Viscount Hailsham, who had been twice

Lord Chancellor. Lord Hailsham occupied the Woolsack from 1970 to 1974 in Mr Edward Heath's Government ever, in a recent interview he and from 1979 in both Mrs declared: "I've never had a Thatcher's administrations. He entered the Commons as MP for not her poodle. She is the first Oxford City in 1938 and after to recognise that I have a great up two years ago.

war service served in Conserva- independence and she's very This means Lord Young is to

he rallied the shaken rank and

frequently been the centre of controversy for his outspoken views. He has combined the role of Conservatinve Part yelder statesman, political philosopher and swashbuckling orator in parliament and on the hustings.

To Socialists.

In 1963 he was again the centre of political drama when he renounced his title in order to contest the leadership of the party following the unexpected resignation of Harold Macmillan. But after soundings were taken in the party the Queen sent for Alec Douglas-Home as

> After serving in various offices in the Comons under his original name of Quintin Hogg he returned to the Upper House as Lord Chancellor in 1970. His two terms on the Wool-

sack have been during the period of the far-reaching civil justice review, the final paper of which is due for completion in October, around the time of

He was appointed Attorney-General when Mrs Thatcher came to power in 1979.

During the turbulent years that followed he was sometimes accused by Labour of being "Mrs Thatcher's poodle." Howwar service served in Conservaindependence and she's very
tive Governments as Minister of
Education, Minister for Science
and Technology, First Lord of
it."

Outsider Young stays in fast lane towards highest summit

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

AN UNEXPLORED market with guaranteed future growth potential is in biographies of Lord Young of Graffham.

There has been no other modern example of an outsider to politics moving so far and so fast in government as the newly-appointed Trade and Industry Secretary.

Lord Young entered the Government with less obvious political experience than either of the other two most famous post-war outsiders who have served in British Cabinets -Mr Frank Cousins, who joined the first Wilson Government from the Transport and General Workers' Union and Mr John Davies, former director-general of the CBI, who served under Mr Edward Heath.

Lord Young has had an easier life than his two predecessors in being spared exposure to the House of Commons. But he has nonetheless displayed a sense of political ease which came far less naturally to the other men.
This has enabled him not

of tradition. He was kissed on the cheek by Mrs Thatcher at No 10 and in his farewell note said they had both agreed that the time had come for him to lay aside his wig.

He also said it was time for the Lord Chancellor's gold robe to go back in its tin box. He had well as appointed that he had well as appointed the conservative election in 1970 and was made Solicitor General Attorney. of the Conservative election

Lord Young will take with him to the Department of Trade and Industry Mr Kenneth Clarke, who has been his employment spokesman in the Commons. The two will also take the Department of Employment's former responsi-bility for the inner cities task force initiative, which they set play a major part in the attack on inner city problems, to which the Prime Minister has

Lord Young: entered Government with little experience

said she intends giving pri- prise unit with him.

Lord Young, who made a personal fortune in the property business, has been at the De-partment of Industry (as it then was) before—as an unpaid adviser to Sir Keith Joseph when he was Secretary of State. He then became the Governchairman of the Manpower Services Commission in 1982, before entering the Government as Minister without Portfolio in

In this post he had crossdepartmental responsibility for stimulating enterprise. Politi-cal observers predicted that his tiny enterprise unit would be isolated and marginalised by jealous departmental ministers.

The Department of Employment has changed radically under Lord Young, who has shown far more enthusiasm for using its resources to stimulate the economy than he has for its traditional industrial relations responsibilities. Leaving the department at a time when further industrial relations legislation is in prospect is not something which will disappoint

It is certain that the beliefs which have guided his approach in both previous Cabinet posts that all possible barriers to successful competition must be removed and that only a successful competition must be removed and that only a success economy, rather than Govern-Instead, he was appointed Emment action, can create real ployment Secretary the following year and took the enterfor action at the DTL.

Moore to push caring image

BY TOM LYNCH

THE GENERAL election campaign established Mr John Moore as one of the Conservative Party's best communicators. His appearance on an election broadcast was regarded as a success and his frequent appearances beside Mrs Thatcher at rightly seen as a sign of im-minent preferment.

Now, still a few months short of his 50th birthday, he takes charge of the Depart-ment of Health and Social Security knowing that the Government has a long way to go to convince millions of electors that it does care about the National Health Service, over which he will

Mr Moore, MP for Croydon Central since February 1974, is certain to adopt a higher profile than Mr Norman Fowler, who often seemed to be eclipsed in the Commons by his energetic ministers of state Mr Tony Newton and the just-elevated Mr John Major. His appeal to the party faithful is helped by youthful good looks and his campaigning skills were sharpened by four years in US politics-as a Democratic Party precinct captain in the

Since his arrival in the ommons he has established himself as a liberal on social issues, but very much in the monetarist mould on eco-nomic issues. When Mrs Thatcher won power in 1979 he became a junior minister at the Energy Department, where he stayed for Mrs Thatcher's first term, taking charge of coal and then of nuclear power.

Conservative triumph of 1988 took him to the Treasury, first as Economic Secretary then as Financial Secretary, where he threw his considerable energy into a cause he had made his own in a series of influential speeches the co-ordination of the Govern-ment's privatisation pro-gramme. As recently as last year he was insisting that the Government would not rest until all commercial undertakings were returned to private hands.

The reshuffle after the

Mr Moore's widely expected promotion to the Cabinet came in May last year, when he succeeded Mr Nicholas Ridley as Transport Secretary at a time when his pet sub-ject of privatisation was much on the department's agenda and as the UK prepared to take over the preseidenecy of

take over the presentenecy of the European Community, with liberalisation of air fares a prime British objective. He pressed ahead with the privatisation of British Air-ways and the National Bus Company and planned the sale of the British Airports Authority as well as getting Authority as well as getting the privately-funded bridge over the Thames at Dartford under way. He has also pushed—sometimes vigorously the Channel Tunnel Bill However, he has had to

compromise on liberalisation of air fares. He started his chairmanship of the EC transport ministers with a declaration that Britain would take unilateral action if negotiations failed, but presided over a deal which disappointed many radicals. His time at the DHSS is likely to be no less busy than his year in charge of transport. Those envious of his skills as well as those senior colleagues who see him as a potential rival for the future leadership of the party will be keeping a close eye on his stewardship of it—and on his efforts to promote a more caring image for the Conservatives.

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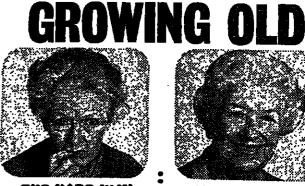
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I UXEMBOURG IN THE NEWS A report for international decision-makers

Luxembourg Strengthens its Role in the World Financial Community

BY ELLEN WALLACE

International financial markets in 1986 were characterized by movement: exchange rates shifted, often dramatically: interest rates fell; new instruments were created to meet demands of borrowers and investors alike, and among bankers. the popularity of older tools of the trade rose and fell Profit margins were squeezed. Securitization was no longer a trend but a fact of life.

There are profits to be made in such an environment. In Luxembourg, first reports show banks ending the year strongly in the black. Meanwhile, the Government has continued to take measures to reinforce the Grand Duchy's role as an international financial centre. Deregulation theoretically means most markets can do most kinds of business, but in reality, the sharp competition among financial centres has forced them to specialize. Luxembourg has, since the beginning of the 80s., been moving in new directions and last year's results were a tribute to the success of this shift.

The Government of Luxembourg has been faced with the difficult task of balancing its own income needs - financial services are the Duchy's second largest business - with the realization that it must ensure the centre's competitiveness. Easing the tax burden is a stated priority. To that end, several cuts went into effect in January and others will

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The banks have been actively building new business. Private banking is of growing importance, especially for those banks which were established as booking offices and were heavily dependent upon Euroloans. For many of them, 1986 was the first year the move into portfolio management began to show substantial results. The need to increase private banking and fee earning business has led to some interesting developments, one of which is the sudden surge in investment funds. The search for profitable new instruments has also led to the growth in the volume of bonds denominated in Luxembourg francs.

1986: Another good year

No banker minds a good year, but what would appear to be outstanding results last year were especially welcome to Luxembourg bankers. Preliminary reports indicate that profits were up strongly for most banks. Bankers' comments range from "exceptionally good" to

The good report card follows a period of some uncertainty: high risk loans and the provisions that had to be set aside to cover these were coupled with the sharp drop in traditional Euroloans.

Several factors converged to move the banks beyond this stage. For most banks, the volatility of the foreign exchange markets and healthy growth in major stock markets were important. Investments made two to three years ago by some banks to set up private portfolio management services began to pay off.

Luxembourg's banks have historically fallen into groups divided by nationality; banks from one country came mainly to do the same type of business. That has begun to change, as banks here diversify their activities, but there were common threads among the reasons cited by banks from the same countries for their successes last year. Scandinavian banks frequently point to private banking, claiming that the tax climate in some countries prompts pensioners to settle abroad and to invest their money elsewhere. As traditional Eurocredits became harder to come by, Scandinavian banks moved in two directions: off-balance sheet business and private banking. Ole Roed, managing director of Bergen Bank International, believes "There is a tier below the very rich people, where there is a growing awareness, more sophistication about investing. So there is a whole new market opening up."

German bankers point to a similar group of their compatriots who have become more attuned to investment possibilities and who find Luxembourg's proximity and banking secrecy appealing.

For these banks, it is not enough to simply set up portfolios and manage them; the move in this direction has provoked a need for more competitive action in fee income areas. One bank points with satisfaction to its forward trading, another says overall off-balance sheet income was up 25 %.

"Private banking" - that was the immediate reply by one American banker when asked what he sees as his company's strongest card, and the reason why it did so well in 1986: "it's cheap here, and it's wide open." He and other Americans point out that their customer profile in Luxembourg is distinctly European; in fact, some of these banks pointedly exclude American customers, while other banks do not encourage American accounts. They also agree that in Luxembourg "the servicing side (for capital mar-kets) can be good business. Holding companies here are good vehicles."

French banks showed solid growth across the board, a reflection of their expansion internationally. According to Gerret Schaaphok, director of Banque Indosuez Luxembourg, solid growth in 1986 is partly a result of the long history of French banks in the Grand Duchy. The French were some of the first foreigners to set up in banking in Luxembourg, before the second World War, when they saw their operations as an extension of regional banking policies. The business base broadened during Luxembourg's rapid expansion in the 70s. When French banks were nationalized in 1981, their Luxembourg connections didn't suffer, so says Schaaphok, but the liberalization of recent months is now beginning to pay off.

For the Italian banks, a profitable area was acting as the link between Italian industry and banks who suddenly found Italy interesting but did not have their own contacts. Interbank activities, says one banker, accounted for 50% of his profits last year. The Italian banks have remained, as a whole, more involved in traditional commercial banking than many others in Luxembourg, largely because of foreign exchange controls at

The problem is how to maintain the performance record. Bankers voice worries that market conditions may be less propitious in future months, and they are consequently working to ensure they keep their stakes in new areas of business. That concern, plus the need to service such business, has brought a new competitive edge to Luxembourg.

Mutual funds SICAV ²⁾ Other Total investment funds								
Year	No.	Net assets	No.	Net assets	No.	Net assets	No.	Net assets
1977	27	59.8			55	23:9	82	85.7
1978	28	61.0			43	25.4	71	86.4
1979	52	58.8			42	26.8	74	85.6
980	54	74.8	}		42	45.6	76	118.4
981	40	112.6			l 41	55.8	81	168.4
982	45	124.9			42	64.4	87	189.5
983	52	176.9	2	8.4	45	126.4	99	305.5
984	67	246.9	20	40.9	45	151.1	132	598.0
1985	84	359.7	41	100.2	52	172.3	177	652.2
1986 ³⁾	101	557.5	110	289.7	50	176.9	261	1,003.9

One Flux — one Luxembourg Franc One US dollar was worth 41.10 Flux on December 51, 1986

²⁾ SICAV: Variable capital investment company ⁵⁾ Estimation at December 31, 1986 Source: Luxembourg Monetary Institute

Investment Funds Expanding Rapidly

If there is a boom that has touched every banker in Luxembourg, it is in investment funds. The figures are plain: from 1985 to 1986, the number of funds nearly tripled to 261 (December) and funds' assets more than tripled, to Luxembourg Francs 1,005.9 billion.

This sudden increase can be attributed mainly to a change in the law at the end of 1985, but several other factors also play a role. In 1972, the Grand Duchy required registration of fixed capital funds in order to better protect small investors. Supervision otherwise remained flexible. The 1985 law was drawn up in response to the rapid growth of aggressively managed offshore funds during the 70s, "We tried in 1985 to come up with an imaginative solution," says Remy Kremer, director of Banque Générale de Luxembourg and president of the ABBL, "The new law was so much more concrete and clear for

foreigners. Before, they had hesitated." mutual funds, variable capital investment companies, and "other funds." There is no legal definition for the latter. The real impact of the 1985 law is that it permitted the creation of variable capital companies, "SICAV's." A SICAV has more flexibility than traditional mutual funds because its capital is equal to the value of its net assets and no shareholder meeting is necessary to approve changes in the

Of equal interest to foreign funds: the SICAV as well as other investment funds have a legal status, which means they can be quoted on stock exchanges. Banks look ahead to the European Community's goal of abolishing borders for capital by 1992. When that occurs, shares quoted on one stock exchange can also be traded on other EC exchanges.

SICAV's are the fastest growing funds: there were 20 such companies at the end of 1984, the first full year, and 110 by December 1986. Mutual funds grew strongly as well, from 67 to 101 in that same period. According to Frederic

Wagner, assistant director at Banque internationale à Luxembourg, the new rules provide banks and investors alike with more options. "From the investor's point of view, there can be a fiscal difference with a SICAV: he is a shareholder and only pays taxes on dividends or earnings . . . but there are certain cases where mutual funds remain interesting. Also, mutual funds can distribute dividends daily, and thus may be useful for money market operations."

Virtually every foreign bank now has a fund(s) or plans to establish one. Some are managed from Luxembourg, others from London; the choice seems to depend on individual fund goals. The boom has created a healthy new business for the Luxembourg banks.

Bankers expect the number of funds to continue to grow. Last year, the Scandinavians entered the market with four funds; the Germans have been slower, but these banks, too, have plans. Says one German, looking at his blueprints: "Mutual funds were never as big in Germany as in Anglo-Saxon countries. And because of our relatively late start in private banking, we didn't need our own investment funds to service our clients. But the time has now come. We've set up the personnel, the clients are here now, particularly smaller customers. In addition, we're looking at a wider distribution, maybe in Germany. We can't do that right now, but we will be able to with the EC lifting of restrictions."

Saturation is unlikely, since the investor pool is international. The increase in private portfolio management in Luxembourg promises to fuel the expansion of the fund business. Why Luxembourg? According to Wagner of BIL. There is a legal framework, but one that is more flexible (than elsewhere). It is easy to set it up here. There are quality investors, and also, we belong to the EC and we are part of the OECD. This can be important, for example, for registration in Japan."

Flux Bonds Find Favour

A market which moves creates new needs; the growth of bonds denominated in Luxembourg Francs (Flux) has been a popular way of meeting these in recent months. Looking at currencies, the share of the Flux in overall trading volume has increased steadily in the past two years. Figures for Flux bonds show tremendous growth in 1986: turnover was up 78.97 %, vs. 12.58 % the previous year. This compares with total bond trading in Luxembourg up 10.42 % in 1985 and 15.64 % in 1986. A particular feature of the market was the early redemption of bonds which saw 84.72 % growth.

The increase in trading was not due to traditional Flux borrowers - the Luxembourg public sector - but rather, to foreign companies, international institutions and most spectacularly, Luxembourg-based financial companies that traded heavily as part of their dealing in convertibles and

One foreign banker explains the market's development this way: "Prime borrowers made bond issues, they've taken up fixed rate loans here. We've participated in such loans and now we're doing private placements to repay them at lower rates. We participated in such transactions because there were interesting borrowers and it's a good market."

Kredietbank S.A. Luxembourgeoise's director, Damien Wigny, says "The interesting thing about this market is that it's not dominated by the State. Our Government is not a heavy borrower and in fact, the authorities want to keep the market open to foreigners." The market is small but fast-growing. He cites two main reasons why foreigners like the market; it gives them access to the Franc (the Luxembourg Franc is linked to the Belgian Franc, and although that market is larger, it is almost completely dominated by the Belgian Government, leaving little room for other borrowers); it is open to foreigners for private placements. There is a system of access by "priority" for pub-

The Luxembourg Franc has become more appealing as limits on its use have gradually been lifted. Private placements in Flux began in 1978–79, when one borrower did not want to wait for his turn in the queue. But limits were quickly established for private placements: they could only be half the amount of public issues, the market was limited at any one time to half of all issues. In 1980-81, other limits were added when the four banks who were active formed a committee and set

up strict rules. But these limits began to fade away in 1984. Since then, says one banker, "It's been an open market." In 1985, there were 33 private placements, in 1986, 74 and in the first 10 weeks of 1987, 21, so the rapid expansion of the market looks likely to continue.

The real limit, bankers suggest, will be placing power. A borrower in Flux pays less than if he were borrowing Belgian francs because the interest rate is lower. Some Belgian and Luxembourg investors are looking for good investment vehicles in their own currency.

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(Flux million)	_	1984 er Amount es	-	1985 er Amount es	_	986 r Amount s
Public issues Private placements	1 4 s 18	10,000 4,500	18 42	15,100 11,725	22 81	19,100 24,200
TOTAL		14,700		24,825		45,300

Government Eases Tax Burden

The Reasons for Banking in Luxembourg

EFFICIENCY DIVERSITY QUALITY

A long established tradition A modern communication network A qualified multilingual staff A stable and sound national environment

> A sound legal framework A competitive fiscal environment A sound balance sheet structure A serious and experienced banking control

A strict legislation as regards banking secrecy A very broad range of services offered An attractive framework for holding companies and investment funds

Contrary to a widely held misconception, Luxembourg is not a tax haven.

It is, however, stated Government policy to create conditions allowing the financial centre Luxembourg to compete on equal terms with other important financial centres.

Over the years, this policy has been translated into various measures, bench-

 in 1978, unilateral relief for foreign withholding tax, supplemented by cancellation of the stamp duty on certificates of deposit and of the withholding tax on interest paid on bonds issued by Luxembourg borrowers, including banks;

in 1983, fiscal neutralization of translation gains on reinvested equity; ● in 1984, a package comprising widened tax-deductible general loan loss provisions, improved rules for unilateral relief of foreign taxation and reduced

Moreover:

 Value Added Tax on gold bullion for investment has been waived since 1979. Gold currencies are free of VAT; • For holding companies set up under the

1929 law, the tax base is net worth (annual subscription tax of 0,2 %), not income. No withholding tax applies to dividends distributed by holding companies.

• For investment funds, income is tax. exempt but a subscription tax of 0.06 % on net assets is levied annually.

 No turnover tax is levied on security transactions, whether via or outside the stock exchange.

Banks are increasingly conscious of their expenses as well as of the major tax issues and Albert Dondelinger, chairman of the executive board of Banque Internationale à Luxembourg (BIL) stated already quite some time ago "The corporate tax in Luxembourg is too high but the centre developed despite an unfavourable general tax situation for com-

That's why Luxembourg's authorities, determined to see that the financial centre remains competitive, have taken, very recently, a series of measures to ease the

Highlights of the new package include: ●a two-step 4 % reduction of the corporate income tax rate from 40% in 1986 to 36 % in 1968. Corporate income tax is fixed at 38 % in 1987. In addition, a temporary surcharge called "solidarity tax" levied as a percentage of income tax has been reduced from 3 % to 2 %. So, in 1987, corporate income tax plus surcharge amount

abolition of the "taxe d'abonnement" (subscription tax) on bond issues (corporations and holding companies); abolition of the stamp duty on bills of

exchange; • a further improvement in personal income taxes;

• in March, the Government agreed to some tax relief for specialists to help banks compete against the high salaries offered in other centres.

Many bankers feel that the tax authorities are taking an attitude bankers can work with. "It shows that the Government is aware of the competitive environment internationally", says Rico Barandun, head of Crédit Suisse. American bankers, many of whom are

now concentrating on private banking, agree that the cuts are "a good step", but point out that Luxembourg will have to keep working to compete tax-wise. German bankers, for their part, say that the rate's importance may be growing for them. The problem of high taxes has traditionally been offset by generous rules

governing provisions. Paul Schminke, managing director of Landesbank Rheinland-Pfalz International, notes that the abolition of certain taxes is already pulling some business back to Luxembourg: he cites the case of his own bank making an Australian dollar issue in January in Luxembourg rather than in an offshore centre because the "taxe d'abonnement" had been dropped.

Mr. Jacques Grosjean, Press Secretary, ABBL, Luxembourg Bankers' Association, B.P.13, L-2010 Luxembourg, Tel. (352) 29501, Telex 1701. Yes, please send me

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HERE IS a certain pre-THERE IS a certain predictability about Labour's election postmortems. The left blames the party leaders for not offering the electorate genuinely socialist policies: the right mutters darkly about militant and the "London factor" electron emission of the control of the contr tor"; almost everyone curses the Alliance for splitting the anti-Tory vote. We all know the litany.

Yet if the British people are to have a strong opposi-tion—as they surely ought

Why Labour should dump the

baggage of history

the better things in Labour's electoral shop window involve spending more money than allegedly uncaring Tories. It is hard to see what can

It is hard to see what can be done about this fundamental conflict apart from changing the dramatis personae. Mr Roy Hattersley did a better job than he is sometimes credited with in trying to damp down the wilder commitments of his colleagues. But a cautious and articulate Scot from the right of the party like Mr John Smith, a forceful spokesman on trade and industry, might on trade and industry, might convey a more reassuring image on this particular

At the same time Labour's At the same time Labour's leaders will altimately have to persuade the party faithful that they cannot win the election by marketing their own historical luggage, & purioin a Tebbit-like phrase. When it comes to the owner-

ship of the nation's assets, the role of the trade unous relevance to the economic tripartite management, Mrs Thatcher has frankly won the voters round to her point of view. By now council house sales and share ownership via privatisation have gone too far for any future represents. conditions of the late 1980s. even if they sympathise with Labour's call for the re-indusdepressed regions. The germs of a more co-herent Labour economic and far for any future proposal to renatonalise (sorry, socialise) British Telecom or British

industrial package arguably exist already. They lie in a combination of what Mr Hattersley has sometimes referred to as Labour supply British Telecom or British Gas to be other than an electoral ball and chain. Nor, one suspects, has the public much appetite for soul-searching in speeches and memoirs as to whether policy can be reconciled with the socialism of Keir Hardie. side economics and the growing emphasis that Mr John Simth places on intervention from the bottom up, as op-posed to grand dirigiste plans imposed from the top. And it might do no harm for Mrs Thatcher has won a fair amount of the intellectual fair amount of the intellectual high ground too. Apart from civil servants, who derive a personal pay-off from interventiouism, it is becoming harder to find people who believe that an enlarged Department of Trade and Industry, a giant national investment bank or a scheme Labour to reawl the world's more radical Labour and Social Democratic Parties, once the wounds have been licked, to lift some of their more imaginative supply side

Australia and New Zealand

might well be a good start-ing point. It is unlikely, of course, that Mr Kinnock could adopt Mr Bob Hawke's kind of incomes policy or the well-nigh Thatcherite liberalisation programme of New Zealand's Finance Minister, Mr Robert Douglas. But both countries have engaged in radical tax cuts, recognising that a complex tax system provides numerous potential trade-offs between the withdrawal of allowances and the reduction of tax rates to achieve a whole range of objectives, including in-creased investment. Better, surely, than Mr Hattersley's

vague threats to sook the

The Democrats' presidential ... campaign in the US will also bear watching. But one ... of the biggest lessons there should have been learned already. Mr Walter Mondale failed last time because he sought to appeal to minorities, not to the majority. In Britain the lesson can be translated to mean that Mr Kinnock has to find a way to appeal to the south as well as the north. The chief obstacle in his path is history.

Battling the closed shop of the mind

NEW orthodoxy on design of effective wa industry and higher parting personal skills education has suddenly The key to chang dustry needs far more gradu-ates with personal transferable skills like problem-solving, co-operation with others, clear communication, and the ability to benefit from information technology. This message is conspicuous in the White Paper, Meeting the Challenge, is a central theme of the recent report of the Council for Industry and Higher Education dustry and Higher Education, Towards a Partnership, and is

A litle cynicism must make one wonder why such vigorous exhortations are still needed if the arguments for cultivating personal competency among students are so self-evident.

and speeches.

constantly reiterated in articles

The fact is, of course, that rhetoric is one thing and practice another. British higher education functions in a way that makes it hard to give more waight to the development of weight to the development of skills. British industry's recruitment practices do not aim explicitly at detecting personal skills, nor to reward those who

There are two major barriers to enhancing personal skill and competence in the academic world. The first is a deepseated cultural resistance to making the aims of education precise or explicit. Subject mastery, scholarship, and originality in research are generally regarded as qualities that can only be recognised by the But a major shift will be needed already initiated — a closed towards recognising that the shop of the mind. To define cultivation of a wide range of academic success in terms of skills, and the encouragement of competencies that could be new strategies for learning, evaluated by the lay person should lie at the heart of the tends to be seen by academics work of colleges, polytechnics as superficial vulgarisation, which obscures the essential value of higher learning.

The success and the encouragement of the new strategies for learning, should lie at the heart of the tends to be seen by academics work of colleges, polytechnics and universities. These activities must attract status and resources and serve as important of the success and serve as important of the suc

courage students from considering their skill deficiencies and ways of overcoming them. They fear that to do so will make

The second barrier to skills in higher education is the domination of the academic discipline. Although certain degree courses, like those in medicine and engineering, may capabilities, academic discipline remains the dominant organising force.

The main yardstick of a student's success continues to be the extent to which he, or she, —usually in isolation, and under highly artificial conditions —to produce pieces of written that are believed to demonstrate mastery of discipline-based knowledge.

To reach such a point, of course, students will need to have acquired implicitly skills such as co-operation with others, time-management, fluency in communication, and visual presentation. But these will eldom have been made explicit in their education — still less, actively taught. It is rare indeed

The key to change lies in

altering the balance between the academic and the consumer. The academic must be persuaded to present courses of study not as vague total experiences, nor lists of subject matter, but to specify them as precise competencies, on which the lay person will be able to make informed judgments. (These might just as easily be of a general, cultural kind—acquiring a new reading of Keats's Odes—as severely practical—getting the most out of dBaseIII.) What is at stake is not subject matter, but the obligation of the teacher to specify an outcome.

Similarly, potential students should be encouraged to be more demanding and consumerist in their approaches to educational institutions. It must be taken for granted that courses should be shaped to fit the needs of students not, as at present, that students should be

By Peter Wright

moulded to the structure of

The expansion of British higher education towards a mass system and the growth of credit transfer and accumulation will help to bring about such change Values like these tend to dis- portant criteria for promotion.

But industry also has a crucial part to play. The recent in-dustrial support for transfer-able skills is positive, but will them appear to others as un-worthy of higher education in further. It must be made clear that the enthusiasm for such skills at board level is reflected in the practice of those respons-ible for recruiting staff.

There must be company policies to ensure that the high priority given to wide-ranging t on skills is not lost among the day-the, to-day problems of recruiting people to fill specific vacancies as they arise. Also, industry has to define more specifically the competencies that it needs, and should co-operate with educationalists in devising ways of assessing them.

Despite industry's vocal demand for personal skills, there is considerable evidence that many recruiters do not know how to identify or assess them. and recruit on the basis of academic success or the status of the institution—not on the assessment of personal skills.
Often, this may work well enough because good students from prestigious institutions are more likely than not to have acquired these capabilities. It does nothing, however, to raise the general standard of personal skills among graduates; nor does it encourage higher education to place greater emphasis on the cultiva-tion of these skills. The author is Head of Academic Development, for the Faculty of Humanities and Social Sciences, at Portsmouth Polytechnic.

INTERVIEW

of Mrs Thatcher—it is incum-bent on Mr Kinnock and his followers to address the rather uncomfortable rhetori-

cal question raised by Mr Norman Tebbit on election

night when the outcome was already spoken for. Every-

one, said Mr Tebbit, agreed that Labour's campaign was by far the most effective; so

surely there must be something wrong with the product?

Labour supporters would

no doubt regard this commer-cial terminology as indicative of a cynical view of the elec-

torate. They might add that the public showed much sympathy with Labour aspira-tions on jobs, health and education. The real problem,

however, is about meras, not ends. What is it that Labour

could do to convince the voters next time that it has

an economic programme that

The most difficult problem is to dispel the widespread conviction that a Labour Cabinet would inevitably con-

sist of ministers hell bent on

spending like drunken sailors:

might work?

Cannons to the left and right

Nigel Andrews talks to Menahem Golan

ENAHEM founder of the Cannon British cinemas." group, the biggest film exhibitor in Britain and a leading force in film production tions towards quality movie-worldwide seems to be running making on an international out of time and money—but not of enthusiasm and pluck.

Three weeks ago, as Cannon disclosed an annual loss of \$60m (£36m) it also admitted that its auditors were questioning "the company's ability to continue operations as a going concern." With the US Securities and Exchange Commission due to pro-nounce within the next few United States. We have seven weeks on Cannon's accounting practices, and with a financial rescue package that involves investors now threatened by criminal proceedings in Naples against one of ing seems to be on the wall.

Britons-as well as short sellers on Wall Street—hoping that the meteoric rise of Menahem Golan and his partner Yoram Globus will soon be followed by

an equally meteoric fall.

For UK cinema in recent years it has been a case of Cannon to the right of us, Cannon to the left. And a dark streak of xenophobia has coloured the views of normally rational critics and commentators, who feel Britain has become annexed by a foreign power determined to lower standards even as it tries to raise profits.

Who are we? Bloody foreginers!" said Menahem Golan when I talked to him in Cannes as the reports of asset-stripping, studio sales and losses during the last from Cannon's chief.

We ran into a climate of outright hostility when we first came to Britain. American Israelis-who the hell are we? Britain needed us, but only lately have people begun to appreciate what we've done. We cinemas and we have put plans into action to promote new young British directors. As much as we are attacked, we have developed the skin of an pany five times bigger than any five times bigger than honest to God, I hate it, they didn't invite me there—I don't care. It cost £250,000. Instead

Cannon's celluloid presence in Cannes this year showed that the company still has aspiralevel, even if its commercial prowess is showing signs of wear and tear.

company. The other is what I might call the artistic side. We pictures in other special events. And we have over 40 films in Cannes altogether, including those in the market.
"This is the biggest, most

There are plenty of jealous 1931 Born in Israel; family in film

1963 Founds Neah films with co 1979 Buys Cannon Films of the US 1982 Buys UK Classic cinema chain 1983 Cannon acquires Rank-Tuschinski grou distribution

1986 Acquires Thorn EMI Screen Entertainment

prestigious event for cinema in the world! I'm very proud that we got to this point: Cannon started in '79 as a kind of semiexploitation company, now we working with great stars, great directors, great motion pictures."

With such a proud history of growth behind it, and with such continuing signs of resolve, how on earth did Cannon ever get financial year were provoking a on earth did Cannon ever get typically doughty fight-back into its current crisis? On top of its losses last year, the com-pany has recently been forced to sill both the Screen Enter-tainment film library, formerly EMI's, and a half-share option on its European cinemas (to Warners).

In addition it has closed its video operations in the UK made Elstree Studios live, we video operations in the UK brought people back into the and is offering Elstree Studios

elephant. Look, the showpiece ours, which is EMI, and that is British Pavilion here in Cannes, maybe like a bone in the throat. A Wall Street organisation committed to financing the deal care. It cost £250,000. Instead didn't come through, and on of spending money on that, why December 15 we had to meet a not give it to young film- \$75m second payment to Alan makers? But that's their choice. Bond, who owned EMI before I am going to carry on putting us. Well, it was difficult to

GOLAN, money into British film and come through that and Warners saved us. They gave us the money and in return they became partners in our circuit all over Europe." That may keep Cannon's cinemas on a steady footing for

the moment. But what about Cannon's production pro-gramme? Left, right and centre. "There are two different Cannon's films have been in-aspects," says Golan. "One is curring losses that would cause the financial situation of the most Hollywood major studios to run to the liquidators.

"Losses were incurred, but, my friend," Golan insists, "Cannon today has \$400m in sales contracts on our product. Since we operate on a system of thirdparty contract, we cannot show this as income. Until a film is delievered and paid for, you cannot account it. We have 47 films finished; we don't have to spend a dollar more on making them. All we have to do is sit tight and wait for the money to come in."

Golan valiantly defends even the tottering fortunes of mega-dollar Cannon movies like Sylvester Stallone's \$40m Over the Top, which Golan, who directed it, says has so far made \$60m worldwide. (But the return is worse than it seems. A film has to make two and a-half times its production budget — \$100m for a \$40m film — before it runs into profit.) Yet he admits that the coming year will see considerably trimmed opera-

tion from the company. "We are making less films this year than last, it's true; 25 films instead of 47. But 25 is still as many as Warners or Paramount or any of the Holly-wood majors. And though we will be choosing our films carefully, we will still go for the

top talent.
"We have signed Meryl Streep, perhaps the most prestigious star in the world, for a British movie, to be made in September: Evil Angel, a project we inherited from EMI. And we will keep our loyalty to new British talent. This coming summer we're planning a major motion picture called Falklands, the Story of 100 Days, with a first-time British director. I believe our commitment to the British film industry is safe, and to British cinemas. Less secure is Cannon's commitment to big-budget inter-national movie - making in British studios: the kind of mega-dollar investment that has

n them making Superman IV

at Eistree during the last year. But Golan claims that outside forces beyond the company's

control have compelled this

withdrawal from the block-The British studios are not in the best shape in the world," he says. "All the studios, not just Elstree but Pinewood as well, and the others. To Government doesn't help. have a lot of reservations about the new tax laws against foreign artists who come to England—

"I'm afraid next year we will not be able to achieve any film of the scale of Superman IV. which we just shot in England for \$35m. That kind of money spent on one picture won't be able to happen again because the stars will be reluctant to come and work in England because of tax disincentives. The British Government must do more for the cinema. We at Cannon do all we can—we make the films, we employ the talent. It is almost impossible, on meeting him, not to warm to this buccaneering, larger-thanlife figure, who seems like an allen life-form in a British

When challenges are being flung out, Golan invariably takes them up: as when a

or unimaginative.

certain British-born Hollywood studio chief cast aspersions on quality of Cannon's films and doubts on their capacity for survival.

"Let's name him: — Mr Puttnam!" cries Golan, giving a cry of relish somewhere between a squawk and a shriek 'He betraved Britain and went to America. 1 tum to Britain. We Britain, I came to Britain. We America. I didn't betray we have a lot of problems with have a bet between us, Puttnam and L to meet the Christmas after next for dinner to see who

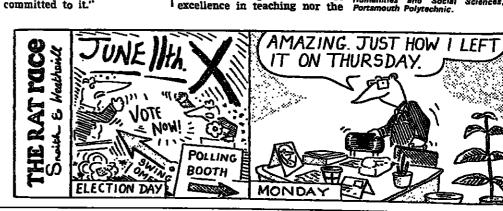
is working where. "I'm sure I'll still be with Cannon and developing it in much better shape. He's with Colombia Pictures and I don't know what he'll be doing. But I'm not here to smear him. He's a great artist. I admire him. I think he has a big mouth, but that's another story. I never talked about him. He never talked about him. He talks a lot about me. Why am I so important that he should spend time talking about me? All I can say is, I feel respect for him. And in our dinner a year and a half from now, maybe I'll even offer him a job. "But as for us. our lovalty and the state of the state cinema scene that can often be cautious, grudging, coldblooded "But as for us, our loyalty to Britain and its cinema will

continue. Tyrone Guthrie m teacher—remember. I was a

student of the British Old Vic

school, Guthrie used to say, the greatest, most dramatic experience one can have is in a stadium of 100,000 people sitting in a soccer match. Arsenal versus Liverpool, mabe. And all of a mere that any attempt will have been made to assess them directly.

Typically, such capabilities are regarded as ancillary to the main aims of preparing for research and original scholar-ship. Certainly, that is going to stay, and second to be in a theatre with another hundred, another thousand people. That





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Filling a classical gap

German Architecture and the Classical Ideal, 1740-1840 by David Warkin and Tilman Mellinghoff (Thames and Hudson, 286 pps, £30) is by far the most interesting and important architectural book to be published this year. It fills a gap that anyone who has recently visited Germany feels acutely; until now there has been no inclusive account of the growth inclusive account of the growth of the classical style during this 100 years of acute political change. The transformation of the states conglomerated into the states conglomerated into the Prussian nation and into the German Empire in 1871 had consequences that were archi-tectural as well as political. To have compiled a book that is also, in its second part, a gazeteer of Neo-classical buildings, makes it doubly useful as a history and travelling

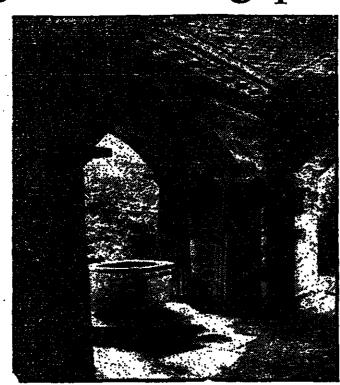
Germany did not exist as a Germany did not exist as a nation during the period covered by this book, but the territory that is covered is modern Germany — East and West. It is not possible to understand the development of the classicism of this period without an understanding of the German need for an archithe German need for an architectural idealism to match the philosophical and political theories that were to lead to a united Germany. The authors in their early chapters explain well the intellectual preparation necessary for the advanced kind of Neo-classicism that was to flourish from Prussia to Bavaria, making it clear that there was a political as real there was a political, as well as an artistic, need for a new

Much of princely Germany was heavily reliant upon imported, mainly French ideas and indeed architects worked in a debased Louis XVI style, though in the north there was some linearing. English Pallasome lingering English Palla-dian influence. More could be said about the reaction to the richness of the indigenous Baroque in the early years of the 18th century, since the authors only touch on how the rich soil of German Baroque and Rococo nurtured the austere roots of Neo-classicism; but perhaps that is the subject

for another book.

The key influence upon the The key influence upon the two greatest architects of the period, Karl Friedrich Schinkel and Leo von Klenze, was one unbuilt monument. It is the leitmotiv of this book—the monument to Frederick the Great designed by Friedrich Gilly in 1797. A great Doric tennula is raised above the temple is raised above the room containing the sarcophagus of the dead hero. Only obelisks occupy the giant spaces around the shrine: lions Roman gateway topped by a quadriga, defines the boundary.

This wonderful project was never built. Its legendary glory was exaggerated by the early death (aged 28) of its designer. are to be translated). There is Friedrich Gilly, although still a need for a full blooded



Germany's embrace of the classical ideal is seen in the undercroft of this Roman House in Weimar by Johann August Arens

young, had absorbed the feeling of Winckelmann and Goethe for the nobility of antique forms. His design for the great monument was to be an intensely important visual influence upon many architects, including Schinkel: the extravagant scale, the sublime simplicity of its classicism and the powerful draughtsmanship with which his idea was presented made Gilly the seminal influence on this period. influence on this period.

In its treatment of the search for a national style, this book is thorough yet concise. Franco-Prussian is the name suggested for the school that was to give birth to Schinkel, but equally important is the direct German response to things classical both Greek and Roman. Goethe's Italian journey (1786-87) was typical in that it encouraged a poetic interpretation of classical remains,

The accounts of two strong patrons, the Crown Prince Ludwig of Bavaria and his brother-in-law Friedrich Wilhelm IV of Prussia, led to the work of the heroes of this book: Leo von Klenze in Bavaria and Schinkol in Prussia While and Schinkel in Prussia. While there is no subsitute for seeing the work of these two protean geniuses in the flesh, this book that the vast literature on Schinkel is still mostly in German (but excellent news that his fascinating diaries, that include his journey to England, are to be translated). There is

book on von Klenze. The transformation of Munich into a monumental city inspired by Greece and the early Italian Renaissance is well told here. Schinkel's achievement was to have fused Greek, Gothic and Italian elements and produced buildings that are entirely

original.
Today the great glory of Schinkel can best be appreciated in Potsdam (although a trip to Poland would be worthwhile) and this book helps to chart the vast number of buildings there. Tegel, Glienicke, Babelsberg are all visible from Potsdam and a few days deter-Potsdam and a few days determined walking can reveal beauties that few casual visitors to Sansouci ever realise.

I was glad to see in the gazeteer the quite marvellous Pompelan house that I last saw in a thuderstorm at Aschaffenberg designed by Gartner. It was still being restored a couple of years ago.

There are few experiences more agreeable than wandering around Neo-classical Germany and this book, published today, and this book, published today, is the perfect companion. The gazeteer is very useful, although I do not think I am carping to say that it is a bit thin on East Germany. The really serious omission is a biography of each renewned architect. But now the hidden delights of certain cities are revealed for the first time and from Aachen to Wurzburg there are Neo-classical pleasures of a quality never imagined.

Philharmonia/Festival Hall

Andrew Clements

Colin Davis's appearances with London orchestras have been confined to the LSO for many years, but on Thursday at the Festival Hail he took charge of the Philharmonia. Whether this betokens a permawhether this betokens a permanent change of allegiance I don't know, but it was refreshing to hear him handling a rather different orchestral sound and, dare one say it, able to rely on an orchestra with a more positive attitude to its

task than usual.
Davis and Vaughan Williams another unfamiliar association, but one which in the Sixth Symphony at least suggested a very positive affinity. While one can imagine some parts of the canon that would not suit his

gifts so precisely—the Third and Fifth for example—the Sixth is dominated by a propulsive rhythmic energy for three quarters of its span that Davis is able to realise with thrilling exactitude: the opening movement was launched with a machine-like massiveness, and only a token slackening of tension for the luscious state-ment of the big tune; the Moderato worked to a shatter-ing climax, its accumulated tension then lithely released in the scherzo.

The Epilogue—characterised in Michael Kennedy's pro-gramme not as possessing an air of tragic desolation — can sound more unwordly and hope-less than it did here, but the

assurance was exemplary. Kennedy suggested the Sixth as Vaughan Williams' personal retrospective, in which stylistic debts were assiduously honoured. One possible and unexpected influence that apparently surfaced in Davis's account was Shostakovich, especially obvious in portions of the sherzo. A symphony written in the immediate aftermath of World War 2 could very easily, perhaps subliminally, have absorbed Shostakovich's Seventh, which was played to death in that period. Earlier, the more predict-able excitement of Radu Lupu's Brahams First Plano Concerto had somehow failed to materia-

Ligeti/Almeida

Dominic Gill

One of the most remarkable virtues of the Almeida Festival's annual cornucopia of contemporary music is its comprehensiveness. Where another festival might organise a single concert and call it a "theme," the Almeida offers a thoughtful and comprehensive overview, embracing as many varied embracing as many varied aspects of the featured comaspects of the reather com-poser as possible, over a period of 10 days or more. The festival's examination of the music of the Hungarian com-poser Gybrgy Ligeti, under the portmanteau subtitle of "A Journey through Vienna, began last week, continues this week, and reaches its climax with the London premiere of Ligeti's new piano concerto next Monday.

The first two Ligeti programmes last week, including a Ligeti Event at the Union Chapel on Friday some three hours long, were retrospectives which offered the newcomer, as well as those already familiar with the composer's work, a solid historical context from which to approach, and in which to place, the more recent

after leaving Hungary in 1956 to work with Eimert and Stockhausen in the electronic music studio in Cologne, such as Apparitions (1960) and Atmospheres (1961) for full orchestra, were brilliant essays in Klandforder her homogrifien in Klangfarbenkomposition— massive sound-canvases, elaborate webs of colour, constantly shifting within their own limits. characterised by clusters of notes played against a back-ground of "micropolyphony." The climax of this line of development, and perhaps still the most widely known, is the Requiem of 1963-65 scored for 20-part chorus, the first movement of which was used to memorable effect—though to Ligeti's chagrin without his per-mission—by Stanley Kubrick in the soundtrack to his film 2001.

odventures, and the exuberant Poeme symphonique for 100 metronomes), there was a gradual but definite shift away from the use of the massive web-form technique he had invented towards a music with intervational lines that were interweaving lines that were more separate and distinct, and towards more explicitly tradi-tional and romantic forms and tional and romantic forms and textures—for example, in the exquisite little motet for 16-part chorus Lux Aeterna (1966), the second sring quartet (1968), and Ramifications and Melodien respectively for string ensemble and small orchestra (1968 and 1971).

(1968 and 1971).

For much of the 1970s, illness intervened. But the major production of that decade was the opera Le Grand Macabre, produced by Stockholm in 1978 and four years later by ENO in London: a score of remarkable richness and fantasy, which also signalled a number of signifisignalled a number of signifi-cant new departures—notably a new-found lirycism, a delicate use of pastiche, and a revival of interest in repetitive and leitmotif techniques.

The Almeida programme of Ligeti plano music was a dis-appointment and a refresh-ment. The solo piano playing of the young French planist Louise Sibourd was disappoint-ing: capable enough in a studentish way, but tentative, monochrome, rhythmically un-stable. We have thus still to gain a fully-rounded impression of Ligeti's six recent (1985) keyhoard Etudes in perfor-mance—although from the score, and from Mile Sibourd's working model, we can appreciate their colour, and houmour,

The account of the two-piano The account of the two-piano triptych Monument-Selbstportrait-Bewegung, on the other had, by the due of Keith Williams and Clive Williamson was a delight: bright-toned, powerful, and closely worked. Monument is Ligeti's major work between Melodien and the opera, and Williams. Williamson But since the mid-1960s, after performance is far and away a brief flirtation with John Cage and Fluxus (the "anti-operas" Someone should consider a Adventures and Nouvelles recording.

Die Massnahme/Almeida Festival

David Murray

Scarcely heard since the 1830s. Die Massnahme (The Decision) is a didactic contataplay by Brecht with music by Hanns Eisler. None of the Almeida discoveries and redismoting the party line at the cost of some innocent but luckless individuals—must nonetheless find a response in the hearts of the old left and of

Just before the 1930 Masswith Kurt Weill on Der Jasager, a "school opera" designed for performance and discussion by children. Based on an Arthur Waley translation of a Noh play, it tells of a boy who play, it tells of a boy who insists on joining a school expedition over difficult mountains, though aware that he's unwell. When he collapses, he agrees with the group decision that it's better to toss him off the mountain (tenderly) than to abondon the journey. Weill's ritually simple, poignant music

1930s. Die Massnahme (The Decision) is a didactic contataplay by Brecht with music by Hanns Eisler. None of the Almeida discoveries and rediscoveries could have been so wryly appropriate for election night: intended as Leninist edification, it was soon discovered by the Communists and he and any discoveries to their shooting him to agree to their shooting him agree to their shooting him and dumping him in a lime-pit. The chorus massively approves their decision. Unlike the Jasager schoolboy, the Young Comrade is enacted allenationdry Tories atike, since Die style by a speaking actor, like Massnahm pushes no particular nearly all the other roles; the conomic theory. elan by Philip Doghan) is for solme, Brecht had collaborated the statutory evil capitalist.

Eisler's brief was to supply stern, cogently simple music for the unsentimentally right (ie, left) side. With stark instrumentation — only brass, piano and percussion—it functions impeccably, fixing a granitic tone, plain and pungent, without musical complexity that might invite merely aesthetic attention. Robert Ziegler conducted a properly hard-edged performance by the Matrix Ensemble and the Proto abondon the journey. Weill's ritually simple, poignant music Musica Chors, though the wet makes the tale unforeseeably distressing. Die Massenahme lost us most of the chorus's was conceived as an essentially similar bu grown-up Lehrstück; this actors (Stephen Dillon, this time, however, the music Tilda Swinton and Adam eschews pathos and sings the justice—severe but humane— hawser (for barge-drawing by of the long-range party view. It is obvious why Weitl ended in New York, and Eisler in East message to speak for itself



Dale Duesing (left) Isobel Buchanan and Gabriel Fontana in Cosi fan tutte

Così fan tutte/Glyndebourne

David Murray

thing to report about this Glyndebourne revival—though Peter Hall has again supervised his fine nine-year-old production with interesting new singers and John Bury's canny designs —is that Lother Zagrosek's reais that Lother Zagrosek's realisation of the score is a revelation than on Mozart-lover should miss. People who just like opera, as well as people who come on company gift-allocations, can be assured that this Cost makes a delightful evening; serious Mozarteans should know that Zagrosek's Cost is played by new insights middle pierced by new insights, mildly controversial at worst and faithfully delivered by the London Philharmonic in best form. It is absolutely worth ringing the Glyndebourne office daily to get hold of returned seats: if necessary, pawn something.

The first and most important deri's potently sinister Don hing to report about this Alfonso, the "cynical philo-llyndebourne revival—though sopher" who engineers the Aireter Hall has again supervised volous action. Far from the to a "Per pietà" of heart-felt dignity: Miss Buchanan was artfully vaporous in "Smanie implacabile," and became a usual benevolently mischievous oldster. Desderi makes it clear from the start that for him something private and desperate turns on his bet that the male youngsters' sweethearts will switch allegiances with disillusioning ease. Misogynist he isn't, since he plays sexy games with Despina (the delicious Lillian Watson, tough and knowing and plausibly Neapolitan) throughout; but as the intrigue get underway, he delivers "Nel mare solca" as blackly and bitterly as any it should.

The bemused ladies are Gabriele Fontana and Isobel Buchanan, charmingly vague in sary, pawn something.

First, Peter Hall's new cast.
It is dominated by Claudio Desponse in training the fontana soprano sounded as if it might prove unstable, but she rose

Hagen in the Ring.

willing victim at once. Both the swains are American, Frank Lopardo as a Ferrando of refined style, and Dale Duesing's down-to-earth Guglielmo comically torn between pursuing the game and keeping the right girl. Hall's expert direction allows the action to become dangerously sincere at is proceeds, just as

We know Zagrosek chiefly as a scrupulous exponent of modern scores, and his Cost is prepared as if it were the latest, most intricate Boulez. All the passages that require extreme brio get it, but he allows many others to be loving and leisurely —quite unconventional—for the sake of exposing innumerable exquisite details

Il barbiere di Siviglia/Covent Garden

Rodney Milnes

traditional and comparatively restrained production of the Barber, revived at last night's Midland Bank Prom at the Garden. Restrained, that is,

was also the occasional grimace. voce" apart, this was an imeffortless sening that the orchestra seemed peccably stylish interpretation, is still there.

19th or 20th century pitch. At times it was as though the Ives rather than the Zedda edition

There is still plenty of life to have come to no firm deci- alone worth the price of a in Michael Hampe's thoroughly sion as to whether to tune to ticket.

Leo Nucci's street-wise Figaro with its toothy Tommy Steele Barber, revived at last night's Midland Bank Prom at the Garden. Restrained, that is, until the second act, which has grown perceptibly broader. Still, no one actually loses their trousers, and vesterday of all days the odd laugh was welcome.

There were also smiles of pleasure a-plenty thanks to the playing under that outstanding Rossini stylist Gabriele Ferro: has much with as much with and musician-ship as Lucia Valentini Terrani, Rossini stylist Gabriele Ferro: and her smokily substantial how the music danced and lower register is used to maximum to the music more precisely. There were also smiles of pleasure a-plenty thanks to the playing under that outstanding the lower register is used to maximum too was Domenico. grin remains a formidable impersonation, but it was a glittered under his understand- mum comic effect. One ill-ad- Trimarchi as Bartolo: not a ing and affectionate beat! There vised top B at the end of "Una great deal of tone left, but an effortless sense of buffo style

Horszowski/Wigmore Hall

Max Loppert

Mieczysław Horszowski will performance. be celebrating his 95th birthday The playin later this month; last night he returned to the Wigmore Hall, where, 81 years ago, at the age of 14, he first played in London (it was, of course, called the Steinway Hall then).

Perhaps the most glorious thing about this glorious old man, this pianistic miracle, is his ability to make the listener lose interest in the significance of the relevant years, dates, and numbers (extraordinary though these obviously are). After a while one simply sweeps aside the attendant circumstances— the éloge des vieux sentimentality, and also the excuses ready-made for any old pianist's technical fallibility—and focuses on the special beauties

The playing was not flawless: odd wrong notes and stumbles in passagework could be noted Horszowski was on altogether stronger form than when I last heard him, at Aldeburgh three years ago). The important issue is that the executive mechanism is essentially, won-derfully, sound. When Horszows z set his hands on the keyboard at the opening of the Bach A minor Organ Prelude and Fugue (in Lisat's trans-scription), the body of the sono-rity that he drew bad an immediate, personal quality— it might be characterised, imprecisely, as full, deep, round, tempered inimitably by warmth — that shone like a beam of sunlight throughout the whole programme.

It is the complete conception of sound, a characteristic in-separable from the sense of the music-making, that marks Hors-zowski as a musician from another, wiser age. His style of (though it seemed to me that pedal technique, his alignment of hands, everything about his touch denotes spaciousness, a broadly embracing viewpoint; everything breathes. In the Beethoven A major Sonata, Op 2 only in the sense that all the Ideas had room to register

But the main marvels were reserved for the second half. Schumann's Kinderscenen, taken firmly, even briskly, combined maturity and child-like wonder, narrative fantasy and lyrical breadth

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Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts

Music

Ernest Blane, baritnne, Maryse Castet, soprano, Anne-Marie Fontaine, pla-no: Bizet, Mozart, Rossini, Menotti (Mon 6,30pm). TMP-Châtelet (Mon 6.3 (4233 4444).

Ansemble Orchestral de Paris con-ducted by Armin Jordan, Maurice Bourgue, obos, Jeffrey Grice, piano, Christian Crenne, violin, Paul Bou-fil, cello; Richard Strauss (Mon). Salle Pieyel (4561 0830).

Vladimir Ashkenazy, piano (Tue). Salle Pieyel (4581 0630).

Paul Kneatz choir and orchestra: Viv-aldi-Gioria, Bach-Magnificat (Tue). Saint-Sévérin church (4563 7955).

conducted by Gilbert Amy: Berio, Jolas, Penderecki, Webern (Wed). Radio France, Grand Auditorium

Coproduction of Orchestre de Paris and Ensemble Intercontemporain conducted by Pierre Boulez, BBC Singers: Bartok, Berio (Wed). Salle Pleyel (4563 0796).

Groupe Vocal de France: Villa Lobos centenary celebrations (Thur. 6.30pm) Auditorium des Halles

NETHERLANDS

n, De lisbreker (Wees zijde 23). Piano recital by Ursula Op-peas of works by modern American composers, including Davis, Adams, Nancarrow and Blev (Wed).

ein (Tae).

hamber Orchestra of Europe con-ducted by Claudie Abbado with Ru-dolf Serkin, piano. Mozart, Schu-bert Konzerthaus (Mon, Wed). Vienna Symphony Orchestra conduct-ed by Gerd Albrecht, Bruckner, Mu-

Alhan Berg Quartet with Elisabeth Le-onskaja, piano, Beethoven, Brahms. Konzerthaus Mozart Saal (Thur). Tekyo Hattori, violin, Riki Ohno, pia no. Debussy, Mozart, Franck. Mu-sikverein Brahms Saal (Thur)

NEW YORK

Juilliard Concerts (IBM Gallery): Beth Sussman piano recital of music by romantic and contemporary composers. (Wed, 12.30). 58th & Madis-

Chopin, Franck, Liszt. Hitomi Mem-

TOKYO Ju Hee Suh, pizno. Bach, Beethoven,

June 12-June 18 orial Hall, Showa Women's College,

Sangenjaya (Thur).

Canadian Brass. Vivaldi, Gabrielli, Bach. Suntory Hall (Mon). (505 1001). Traditional Japanese music: Kosen Itoh vocal and shamisen recital of ji-

non vocal and snames rectain of p-uta, the Edo-period chamber music popular in Kyoto and Osaka. En-ghish programme notes. Tokyo Sho-ken Hall, No need to book.

Royal Philharmonic Orchestra con ducted by André Previn with Anne-Sophie Mutter, violin. Beethoven and Prokofiev. Royal Festival Hall (Tue). (928 3191).

Philharmenia Orchestra conducted by Francesco d'Avalos with Anne Evans, soprano. Wagner. Barbican Hall (Tue). (538 8991).

Boyal Philharmenic Orchestra con-ducted by André Previn with Anne-Sophie Mutter, violin. Beethoven. Royal Festival Hall (Wed). Vladimir Ashkenazy, plano. Schubert

and Schumann. Royal Festival Hall (Taur).

London Symphony Orchestra conduct-ed by Michael Tilson Thomas with Michel Beroff, piano. Débussy, Mil-haud, Gershwin and Ravel. Barbiof £500,000.

Saleroom/Susan Moore

New kind of mystery

Evening auctions are rapidly providing Londoners with a new kind of entertainment. As an hour or two of suspense and mystery (who was the tele-phone bidder?) they rival a good West End whodunit. Lights go up again at 7 pm at Christie's on Wednesday as they present what is billed as their best furniture and works of art sale yet. For an auction house with 221 years in the business, it is quite a claim. Star turn on the programme

is a dazzling polychrome boulle marquetry bureau inlaid with brass, mother of pearl, and horn to forme chinoiserie figures, birds and foliage. Each scene is bordered by a blue stained shell imitating lapis lazuli. The main panel, which forms the opening desk flaps, depicts a landscape with a mandarin carried in a palanquin followed by attendants visiting a menagerie crowded with flamingos,

peacocks and parrots.
Dating to about 1720 and maker unknown (but thought to be French), it was probably acquired in Paris by Earl Whitworth in 1803/03 and has been at Knole since his marriage to the widow of the third Duke of Dorset. Only one other similar to FFr 1,200,000) Branzino and the brothers Zuccaro.

Wilshaw collection. It is expected to realise well in excess

mated at FFr 500,000 (250,000)

to FFr 1,200,000) Branzino and the brothers Zuccaro.

Formed only in the last 20 years, the collection is remark-

dating to the 1780s is also

expected to turn the half million mark. Its full flap is mounted with a Sevres porcelain plaque painted with a basket of flowers, planted with a basket of nowers, its draw with Wedgwood plaque. Freestanding ormolu caryatids frame the body. A figure of £300,000 to £400,000 is anticipated for another Louis
XVI porcelain and ormolu
mounted commode. Made in
satinwood by Godefroy Dester it is sent to auction by the Earl of Plymouth,

In fierce competition for the spotlight is a 16th century 15th in high gilt bronze statuette, the only signed example of Giambologna's Mars. It is one of only a dozen small signed bronzes and is the most important work by the Mannerist artist ever to be sold at auction. The slightly restored bronze comes from a private American collection an dis also expected to fetch more than £500,000.

Sixteenth century Italy is also well represented in Sotheby's sale of the Dr Michel Gaud col-lection of Old Master drawings in Monaco on Saturday. It includes sheets by Agostino Carracci (a Last Supper estimated at FFr 800,000 (£80,000)

able for its consistent quality, An exceptionally grand although the drawings tend to amboyna secretaire bearing the be of greater historical importstamp of Adam Weisweiler and ance and rarity than of great Monday June 15 1987

Getting back to business

Cabinet looks like an interim affair, consolidating much of what had gone before while leaving the way open for more radical changes to come. And there is a lot to be said for not having too many excitements in one week. After securing her third term, the Prime Minister needs to ensure that she can take an immediate grip on it— unlike the experience of 1983 when the Government seemed uncertain what to do with its victory. This time the approach looks altogether more business-

like. Thus many of the senior offices are unchanged. Mr Nigel Lawson remains Chancellor of the Exchequer, and deserves to do so. Sir Geoffrey Howe remains Foreign Secretary and Mr Douglas Hurd stays at the Home Office, although the two men would have been inter-changeable and Sir Geoffrey must be relieved not to have been sent to the House of Lords where he may yet finish his working days as Lord Chancel-

Two other no change appointments also make sense. It would have suggested trouble in the Tory camp if Mrs Thatcher had not retained Mr Kenneth Baker as Secretary of State for Education after all the emphasis given to the subject in the election manifesto. Equally, the Prime Minister was almost obliged to keep Mr Nicholas Ridley at the Department of Environment, at which there is a great deal of work still to be done

Potential rebels

Where there have been changes, they are a mixture of the mildly imaginative and the cautious. It was perhaps a risk to bring back Mr Cecil Parkinson, given the tendency of headlines to explode around him, but he has gone only to the Department of Energy, Mrs Thatcher likes him; he is capable of giving independent advice and it will now be seen whether he can work his way further back up the ladder; for instance, by his handling of the privatisation of electricity

Mr Peter Walker's move to be

candidate: a bolder move would have been to have brought back Mr Michael Heseltine, who has slightly more Welsh connec-tions. But the two men are of a similar frame of mind: both

a similar frame of mind: both able administrators and well suited to a relatively autonomous department. Wales is the right place.

Besides, the Prime Minister could scarcely have risked having two articulate potential rebels on the back benches: Mr Walker and Mr John Biffen. Walker and Mr John Biffen, whose performance as Leader of the House will be a hard act for Mr John Wakeham, the former Chief Whip, to follow. She has gone for the step by step approach.

The demotion of Mr Paul

Channon from Secretary of State for Trade and Industry to Transport, an office where most of the key decisions have already been taken, looks like sentimentality. Mrs Thatcher is easing him out gently. Equally, the appointment of Sir Michael Havers, the former

Attorney-General to the Lord Chancellorship has interim written all over it. He has not recently been well: his lines of communication to the Government—and vice-versa—have not always been good, and the only conclusion to be drawn is that someone else is waiting in the wings: a reluctant Sir Geoffrey perhaps?

Mr Norman Tebbit is out of the Cabinet, at his own request, but remains Party chairman: a position that is bound to give rise to speculation about his next moves. The most intriguing change, however, is at Trade and Industry where the joint team of Lord Young and Mr Kenneth Clarke have moved across from Employment, tak ing some of their old tasks with them, including work on

the inner cities.

Mrs Thatcher said at the start of the election campaign that changes in the machinery of government would come later, probably after the next wave of privatisation. The DT will be almost certainly at the centre of any such reforms, for there is already a problem of how to reconcile its regulatory role with the part that it plays in industrial policy.

If considered, longer-term Secretary of State for Wales is changes really are under way, the second best thing that she the interim nature of the could have done in the circum-weekend moves is entirely side. In 1979, after the humiliat-

Ian Davidson bids farewell to the Foreign Affairs column after eight years

My life with (among others) Mr Reagan

come to an end, and sooner or later has arrived for this column. After nearly eight years and perhaps a third of a million words, it has run out of space and out of time, and is closing down.

I had been thinking of just eliming out the back door, but

slipping out the back door, but no. They have asked me to write a valedictory. It is, I sup-pose, an honour, but a two-edged honour; a bit like the honour of being allowed a few words before the headsman raises his axe.
The difficulty with a valedic-

tory, I' now see, as my whole life flashes across a word-processor screen, is its portentous isolation. Your weekly column is a curious beast from an existential point of view: on the one hand, it is a series of self-contained slugs of light self-contained slugs of light entertainment, each one existing only now; on the other it is a continuum. But in both modes, there is always a chance to get it right next time, trotting along beside events, notebook in han making adjustments while mak-

A valedictory is a different bowl of coddled eggs: no reprieve, no rectification, no ecantation. And jokes? That's tough one.

Needless to say, I regret this

terminal event. To have a weekly column to comment on the world at large is not just a rare privilege, unique (so far as I am aware) in the British press. It is an addiction, and going cold turkey will be painful. On the other hand, nobody has more than a handful of ideas: it would probably be unreasonable to expert more than half-adors. expect more than hadf-a-dozen in an entire lifetime. After 200 plus articles, the element of repetition may start to irk. Moreover, if it is true that the world marks off its political calendar by the cycle of presidential elections in the US, eight years (just under) is a pretty good time to sign off, not least because events seem to be coming round full circle. ing debacle of the Desert One rescue mission, Jimmy Carter was being slowly destroyed by America's miserable impotence to do anything about the Iranian hostage crisis. Today, Ronald Reagan has, perhaps absent-mindedly, impaled himself on a different kind of Iranian hostage crisis.

American missiles in Europe have been another saga which seems to be coming out where it went in. In 1979, at the urging of Helmut Schmidt and other Europeans, but for reasons that were wholly confused, Nato adopted its "twin-track" policy on new Euro-missiles: to deploy them if the Russians would not

OONER or later, all things negotiate an arms control deal. are forcing us to accept the arms control deal we demanded in 1981 — overriding the extreme reluctance of Helmut Kohl and other Europeans.

And so it goes. Russia s must leave a durable main.

Afghanistan goes on and on, paralleled by the only slightly of strategic revolution have somehow managed to coexist content of the content of the other hand, his dreams of strategic revolution have somehow managed to coexist content of the content of th And so it goes. Russia's nasty Iraq. The Lebanese spiral of violence and disintegration gathers momentum, and Israel has the bare-faced gall to cele-brate 20 years of conquest, as if it knew what to do with the occupied territory. Truly, there

But the dominant element shake the confidence of European governments.

Ronald Reagan. Of course, US presidents can be a lamentable catalogue which cannot fail to shake the confidence of European governments.

And yet there are a lamentable catalogue which cannot fail to shake the confidence of European governments. presidents can hardly fail to be powerful figures on the world scene, given the strength and the role of the American superpower they head. But President Reagan is special; he has probably

The domination of the superpower relationship

caused more damage to the European-American relationsuropean-American relationship in the Atlantic Alliance than any of his predecessors.

What is more be What is more, he probably does not even realise it.

No recent president has come to office so committed to deological hatred of the Soviet Union, so hostile to arms con-trol, so apparently confident that military might would proto political answers problems. As the years have

These revolutions have several ordinarily stable, if not actually antagonism.

But the conception, they are not negotipble with the Carlot Major. conception, they are reckiess in conception, they are not negotiable with the Soviet Union, and they are unattainable in operational terms, at least within any time frame relevant to political decision-making. Remarkably, President Reagan that confrontation ever since the war. remains committed to both of the war. them, even though they are mutually contradictory.

For practical purposes, America's allies may take limited comfort from the belief that President Reagan probably cannot now do anything irre-

alarmed that an American President was blithely prepared to embrace both of them on the basis of the scantiest consideration, and without the slightest consultation with his European allies; that is a precedent which must leave a durable mark.

with a systematic policy of undermining the existing corpus of arms control: first the SALT II limits on strategic nuclear weapons, then the Anti-Ballistic Missile Treaty. If you add in the episode of the Polish pipe-line sanctions, the bombing of are some situations so inter-minable and so apparently irredeemable that it is repug-nant even to mention them. In episode of the Poinsa page line sanctions, the bombing of Libya and the Irangate scandal, it adds up to a lamentable cata-logue which cannot fail to

three serious compensations for this dire display of all that can be least admirable about the American political system. Two of them are the direct if inadvertent consequences President Reagan's rhetorical recklessness: the sceptical reexamination of the function of nuclear weapons, and the belated revival of Europe's interest in its own security. The third is the Gorbachev transformation, which may make it possible for the first two to take place in comparative safety.

As a result, this is a peculiarly fascinating moment on the international scene. It is even conceivable, it seems to me, that we may be reaching a turning point in geopolitical relations which could mark the beginning of a new phase in the post-war era.

Whether this will turn out to be good for Britain, for Europe, for the West, will depend on fateful choices yet to come, as well as on the legacy of fateful choices embedded in history. But either way I have the softened. What has happened to the policy remains a mystery.

On the one hand, he has pretended to offer the world not one, but two strategic revolutions; first with his Star Wars dream in 1963, then with last year's Reykjavik blueprint of a virtually nuclear-free world. These revolutions have several

There have been numerous mini-convulsions in Eastern Europe, there have been several crises over Berlin, and the superpowers have jockeyed for power and position in the Third



Flashback to 1979: demonstrators on the roof of the US embassy in Tehran

But the net result of all these alarms and excursions was nuga-tory: neither side gained any significant advantage in the confrontation, neither side solved its structural internal problems, and the stresses caused by these structural problems continued to generate nini-crises.

With the detente of the early 1970s (the German treaties, arms control and the Helsinki process), the crises became rarer but they did not disappear -witness Poland in 1980-81and they did not prompt any

the destructive threat was so great and the search for a

political guide to action. It is not an accident, I believe, that traditional views of both

these elements are starting to be questioned together. What has happened to nuclear logic is that the debates inadvertently detonated by President Reagan's excesses have made these weapons seem more alarming and more unusable with every passing year; the first effect of this is to undermine the credibility of Nato's reli-ance on the first use of nuclear weapons, but the second effect is vastly to increase the deter-

antagonism.

But the argument can be turned round: if nuclear weapons have prevented war in Europe, they may also have intensified the antagonism between East and West because the destructive threat was so

great and the search for a usable nuclear logic so imperative. It now looks as if both elements in this equation — the revival of Europe's interest nuclear logic and the nature of the antagonism — are starting to evolve in unfamiliar ways, with the result that Mrs Thatcher's formulation is increasingly impoverished as a crisis, Star Wars and Reagan in our heads, the Gorbachev factor is in the heads of the succession in the heads of the factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in our heads, the Gorbachev factor is in the heads of the succession in the heads of the succession is in the heads of the succession in the heads of the succession in the heads of the succession is in the factor is in the heads of the succession in the heads of the succession in the heads of the succession is in the heads of the succession in the heads of the succession is in the lement.

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rhetoric; the decision of France to rearrange its defence policy in more European terms and to break a taboo of 30 years by opening talks with Britain on nuclear matters, were the direct results of successive Reagan shocks colminating with the Reykjavik summit.

How far this process will go is another question; but the Euromissile debate in Germany has released a very interesting straw in the wind. ally, Germany has been pulled between two temptations: total on the one hand, or neutralism and reunification, on the other. Gaullist attempts to lure the Germans into a subservient dependence on France got nowhere, because it promised to be neither a credible nor an

But earlier this month a different gong was sounded. When Helmut Kohl finally gave his reluctant endorsement to the zero option for Euro-missiles, he linked it to a call missiles, he linked it to a califor closer defence links with France. If the Americans start to look less reliable, because they are denuclearising Europe, and the French start to look more credible and more Europe.

A freer market in telecoms

A PERENNIAL weakness of legal actions in this area.

Europe's efforts to improve its technological performance, both at European Community and a pwy that it did not go still at European Community and a pity that it did not go still national level, has been to further when laying out its devote too much attention to blueprint for change. Sensible devote too much attention to the interests of supplier industries and not enough to their customers. Too often, building big industrial structures has taken precedence over creating vigorous markets.

The European Commission's recent green paper on telecommunications is a welcome attempt to redress the balance over voice telephony, the source in a sector which is vital to of as much as 90 per cent of

attempt to recress the balance in a sector which is vital to of as much as 90 per cent of Europe's economic future, but their revenues. Yet the availwhere innovation and enterprise have for too long been stifled by rigid monopoly practices.

nologies only by encouraging freer competition. It calls for the complete liberalisation of the supply of most terminal equipment and value added ser-vices and of some satellite communications. It would also strip telecommunications ad-ministrations of their regulatory and approval authority in these fields and prohibit anti-competitive cross-subsidies in competitive markets.

Limited part

The commission's approach to unifying the community market wisely avoids prescribmarket wisely avoids prescribsing a single policy "model" to
be followed by every country.
Harmonisation would be limited
to those areas—such as standards, frequencies and basic
tariff principles—where national differences would perpetuate
serious obstacles to intra-community trade.

The visually avoids pressure on monopoly pricing
structures, which in most countries have long relied on large
profits from long-distance traffic to subsidise loss-making
local calls. As UK subscribers
to increase residential bills
faster than those of large
business users.

Inevitably, such tariff re-

While telecommunications reform is being debated in allonger term, even diehard most every country, only monopolies are likely to find it Britain has so far taken action increasingly difficult to sustain Some other governments still tariff systems which amount seem reluctant to confront to a hidden tax on businesses. Opposition to policy changes Without direct competition from powerful vested interests, they will have little incentive not least within the telecom- to cut their costs and hence munications administrations lighten the overall burden of munications

themselves. the full rigours of competition if the community is to have a policy, it now appears much truly efficient telecommunicamore confident about instituting tions market.

stifled by rigid monopoly nere would yield important gains in efficiency.

The paper's central precept is that Europe can harness the full potential of the new technologies only by encouraging the main factor behind the determined actions taken by freer competition. It calls for American Telephone and Tele-graph and its former Bell Telegraph and its former Bell Telephone companies to cut costs
and sharpen up their marketing. Though competition in the
UK is still limited to a duopoly between British Telecom
and Mercury, the battle
between them has been fiercest
in the market for voice telephony, to the considerable
advantage of business customers.

A consequence of competi-tion in the network is to put pressure on monopoly pricing

munity trade.

The logic of the commission's proposals is hard to fault, although it remains to be seen though it remains to be seen though it remains to be seen the reasons why the commission stopped short of recomments will endorse them. voice network. However, in the tariff realignment on their However, the commission has customers. Even though the com-hinted that, if necessary, it will mission is not yet sufficiently use its Rome Treaty powers to sure of its political ground to prod the process along. After call for competition in voice hesitating for many years to telephony, the issue will have subject telecommunications to to be confronted before too long

Something to come home to

Most Germans are still talking over the motives behind the intrepid Ascension Day flight to Red Square last month by Mathias Rust, the 19-year-old amateur pilot from Schleswig Holstein, whose exploit resulted in the sacking of the Soviet Defence Minister.

But while Rust sits out what could be a long wait in a Soviet prison, he has provided the press back home with a chance for sensational coverage unmatched since the coming to fame of the tennis wonder boy, Boris Becker.

Rust's parents, who have been beselged by reporters in their modest flat in the small north German town of Wedel, have signed an exclusive contract with the Hamburg magazine,

Rust, by all accounts a shy, intense young man known to his classmates as "Professor Rusty," because of his studiousness, seems to have carried out the daredevil Helsinki-Moscow flight to win support for world peace rather than for personal profit. His parents have told



"Yes—I know what it is but how did it get on our side of

Men and Matters

the world that he wanted to speak to Gorbachev—and have denied that he made the flight to impress a girl friend, a story put around by one of Stern's

'All the same, West German entrepreneurs latching on to the new, but somewhat unlikelythe new, but somewhat unlikelylooking youth hero are doing
their best to make Rust's trip
a moneyspinner. T-shirts denoting Red Square as a new
international airport have been
selling well at DM 15 each. A
Hamburg record company has
brought out a new sense Elyste. brought out a pop song, Fly to Moscow, dedicated to the flight. Now all that is needed is

some nimble diplomatic intervention from German President Richard von Weissaecher, who is making a state visit to the Soviet Union next month—and Rust might actually get a chance of coming home to share in the rewards.

Wogel's ordeal

Hans-Jochen Wogel, the owlish and scholarly leader of the Social Democratic Party, was given a less than thoroughly peaceful reception when he a massive disarmament rally in Bonn on Satur-

On the eve of the election yesterday, as the party's new chairman to take over from Willy Brandt, Wogel had to be shielded by anxious looking helpers wielding unfurled umbrellas, from random egg throwers in the 100,000 crowd. That, however, was about the only note of dishermony to mar the demonstration. The rally, held under rain clouds on the muddy lawn of Bonn's historic university building, was a festival of pacifism attracting a large number of dogs, babies in napples, and yong people kissing each other.

One youth was seen kicking against the venerable university walls in what looked like a fit of rage against Pershing missiles. On closer inspection it turned out he was merely removing mud from his fashion able shoes ready for a Saturday night out

Bonn wakes up

Bonn, the sleepy town on the Rhine surrounded by fast motorways which pretends to be the West German capital, is bringing in the buildozers to prove it is serious about its role. In West Germany's 1949 constitution, Bonn was named simply the provisional capital

pending reunification and the pending retinication and the return of the government to Berlin. As the years have passed that objective has become increasingly less likely. Now, judging from the amount of building work work disturbing the Philosoide pages. Room ing the Rhineside peace, Bonn is sealing its claims in concrete.

is sealing its claims in concrete.

The new sprawling ministries

—for post and telecommunications and transport—are rising
on a patch of land between the
city and Bad Godesberg, already
graced by the Lego-like tower
block housing the justice,
technology and education
ministries.

The finance ministry is still housed in what was once a barracks, but on account of the need to show an example in saving taxpayers' money, it will the market. to new surroundings, officials

At the beginning of the month the Bundestag decided to tear down the old parliamentary building which has done service since 1949 and build a spanking modern one in its place.

The new works should give

the bus loads of German pensioners who regularly tour the capital—and wonder what the buildings are-something more to see. But architectural con-servationists are augry as still more of the once-unhurried Bonn charm seems like going

Schmoelz goes

After weeks of rumours, the word is out. Mr Rheinhau Schmoelz, a board member 6 furt, the West German arm of the international investment banking group, is quitting to head Bank in Liechtenstein (BIL) in London.

Mr Schmoelz will join BIL. all but 0.05 per cent owned by the Prince of Liechtenstein Foundation, at the beginning of

August.

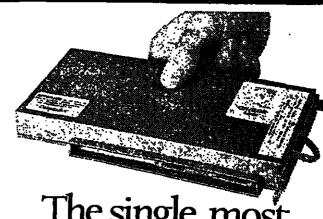
The bank wants to develop its presence in London and may have some ground to make up after its very lengthy and finally fruitless talks with stockbroker Vivian Gray.

Mr Schmoelz may also find the City makes a welcome change from the sometimes less than cordial atmosphere said to have developed in the higher echelons of CSFB-Effectenbank, After making a sizeable dept

as the leading foreign invest-ment house in the liberalised Frankfurt market in its first year of operation. CSFB seems to have run a bit aground recently. Good new deals in the Deutschemark Eurobond mar-ket have certainly been harder to come by, but some of CSFBs transactions — driven by swaps — have often had a less than welcome reception in

And word is that CSFBs two former Deutsche Bank stars, Karl Miesel, its speaker, and Friedrich Hoyos, who looks after the new issues side no longer see quite so eye to eye. It could well feel that Schmoelz felt less than comfortable in the middle.

Observer



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THE City of London is, for the moment, off the political hook. But in the aftermath of Mrs Thatcher's victory at the polls, the financial community has a problem with its image that all the wiles of the slickest advertising agency would do little to dispet.

While Latour failed to fire the voters' imagination with its attacks on City scandals, the electorate certainly did take an interest in another aspect of the sociology of the financial markets. The City yuppies, with their six-figure salaries. their six-figure salaries, Porsche motor cars and liking for champagne bars, came to symbolise the ugly side of the Thatcherite revolution. On television and radio members of the public expressed unease at what they felt to be a climate of greed in the City.

Those who work in the Square Those who work in the Square Mile are no doubt tempted to dismiss this as a return to the politics of envy. Yet there is more to it than that. The times are surely out of joint when the cream of Ozbridge graduates are being offered starting salaries by US investment banks of up to £25,000, equivalent to two-and-a-half times the rates on and-a-half times the rates on offer from some of Britain's top industrial concerns and more than five times the starting figure for student nurses; when the company that produces all those Porsche motor cars made more money last year from currency and financial market operations than from manufac-turing the cars; and where the financiers are making more money than their customers in

industry and commerce.

The public has intuitively diagnosed that something is up; and it is important to be clear what it is, because banking, finance and insurance now account for close on 10 per cent of total employment in Britain and (see chart) have constituted the fastest growing sector of the economy in terms of em-ployment since Mrs Thatcher

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came to power. Indeed, the rise in the financial sector's share of total employment from 7.1 per cent in 1979 to 10 per cent today (which ignores the spin-off generated by the sector's absorption of goods and services from the rest of the economy) suggests that the political debate on the City should have time multinationals such as changed rather more than it General Motors or ICI engage has. So what is going on? And how can a service industry host of new financial instruthrive when there are fewer ments such as swaps to minimise

The short answer is that the fastest growing part of the City is providing a service mainly to foreign governments, corporations and financial institutions, not British manufacturers. Having established itself during the self self during the present economic cycle as the chief logical development. Computer tive novelty of Mrs Thatcher's financial centre in the Euro-chips make no demand on the administration. For the City

The City after the election

Under the skin of an image problem

By John Plender

That market is growing faster than most because it thrives on many of the instabilities that are contributing to low growth in the world economy. The City is taking a percentage cut of the huge capital flows that stem from trade imbalances and from financial volatility. It is thriving much as a drug company thrives in an epidemic.

Put another way, the financial community has been a major beneficiary of the collapse of the Bretton Woods fixed exchange rate system and the widespread removal of exchange controls. The central bankers tradition job of stabilising currencies has, in effect, been privatised and the clobal firements. privatised and the global finan-cial system has increasingly taken on the role of an insurer against volatility.

A West German manufacturer like Porsche was able to make profits last year, despite the impact of the appreciating D-Mark on its exports to the US, precisely because it was able to hedge in the foreign and fewer manufacturers to currency and interest rate risks service? borrowing.

It follows that much of the City's international dealing is not so much anti-social as a by the nature of recent techno-

tionally depressed in the 1980s: they are made of cheap sand.
Nor, as Brian Reading of International Advisory Assocaiates has argued, do they do much to generate new consumer to generate new consumer demand, compared with, say, the railway or the motor car. They chiefly change the workings of manufacturing processes and existing consumer products.

Yet the combination of computers and advanced telecommunications has transformed the financial world by reducing dealing costs by up to 90 per cent and creating the potential for a plethora of new financial instruments the polynomial or the state of the polynomial instruments that rely on complex mathematical formulae.
All this contributes to the paradox of ballooning financial activity, high unemployment and low commodity prices across the world. across the world.

By diverting disproportionate human resources into financial activity Britain does, however, put itself in a rather peculiar position. Any international move to iron out payments imbalances, to bring back fixed exchange rates and capital controls, or to impose tougher financial regulations on the more casino-like games would, in the control of the case in the short run, have a damaging impact on domestic employment. By playing host to a foreign community whose pay rates reflect conditions on Wall Street, London inevitably con-tributes to the climate of social division, and to the perception

of a north-south partition. This perception is a distinc-

the 1970s, as the international banks in London recycled the Organisation of Petroleum Exporting Countries' petrodollars to Third World oil consumers. Yet is failed to attract envy on this particular score.

The growth of financial sector employment could none the less pose problems for any future Labour government. If Mr Roy Hattersley's proposals for increasing taxes on the rich had borne heavily on expatriates in Britain, for example, banking and securities business might bave disappeared to continental Europe — though the risks tend to be exaggerated by those American bankers who were not working in London under the last Labour government.

This suggests that the City's international earnings are, as the financial analysts would say, of less than top quality.
Then there is the question of how sensitive the financial system is likely to be to the needs of domestic businesses when it attention is fixed on distant horizons and the dealing habits of the international markets have been allowed to infect the domestic securities system in the wake of the Big

A domestic financial system has many functions. It exists to enable savers to minimise the excessive risk of direct investment in productive assets by offering a spread of portfolio investments. It allows people to trade earnings in their produc-tive years for consumption in retirement and encourages

Finance & Other Hotels & Medical Post & Catering & Health Commit

BRITAIN'S GROWTH SECTORS

increase in employment from June'79 to June'88

2.1m (total employed at June 88)

On most of these points the City does a sound job and deregulation of the financial markets has genuinely improved consumer choice. But on the final score it has recently come under funcamental attack from Professor Colin Mayer of the City University Business School-and the grounds are far more sophisticated than those offered by Labour during the election.

On the basis of an analytis of the financing of Britain's capital stock between 1970 and 1984, Professor Mayer points out, first, that only 4 per cent of the corporate sector's total funding came from issues of new shares; and second, that if the non-financial sector's purchase of purely financial assets is stripped out of the picture, so isolating its investment in physical assets such plant and machinery, the capital markets contributed nothing at all. He argues that the pursuit of efficiency in financial markets

may be achieved at the ex-pense of the more fundamental objectives of promoting invest-ment and risk taking; and that it contributes to a lack of mutual commitment between investors and the company.

If Mayer's claims are rightand they certainly call for a serious response—they cast the City's domestic dealing activity in a curious light. In the year to June 1986 brokers were chargeconomic cycle as the chief logical development. Computer tive novelty of Mrs Thatcher's retirement and encourages ing estimated commissions on financial centre in the Euro-chips make no demand on the pean time zone, London world's main commodity mar. London world's main commodity mar. Labour in the second part of deficit. It provides a payment system's best buying and selling

mechanism across the country.

Above all, it permits capital to be allocated to the most productive use.

On most of these points the City does a sound job and price has been running to more than £1-bn. These figures will have fallen sharply since Big Bang. But they indicate what a high price has been paid in transaction costs to provide liquidity in a market that, in

Public

0.4m 1.2m 1.7m 2.0m

Edit-

Source:CSO

tive investment. They also raise a question or two about Big Bang. To what purpose has equity market-making capacity been so heavily increased—at the cost, moreover, of creating a short-age of dealing skills that in turn inflates those yuppy sal-

aggregate, finances no produc-

Of course, some of the casino aspects of the City will prove self-correcting. According to the OECD's latest issue of Financial Market Trends, international borrowing activity is closely down and many forms. slowing down and many forms of financial arbitrage are losing

But the paradox remains. By urging Big Bang on the City, the Bank of England has promoted increased liquidity in the capital markets. Yet more liquidity leads to less long-term commitment between the providers and users of capital providers and users of capital— which happens to be one of the Bank's current worries. It wants fund managers to take a longer-term view and to monitor their stakes in the corporate sector more actively. Yet one of its own recent surveys suggests that a smaller proportion of investment institutions exer-cised their votes at company meetings than was the case with eligible voters at the general election. A strange way to exert control over British industry. What price liquidity?

Lombard

Strategies for the left

By Edward Mortimer

IT WAS already quite clear, after the 1983 election, that the Conservative Party was assured of power so long as it continued a position to do this. It to face a more or less evenly divided opposition.

The Labour Party had been fatally weakened by the defec-tion of the SDP, and for there to be once again a credible left wing or social-democratic alter-native to Toryism one of three things had to happen. Either the Labour Party had to bring its lost sheep (with or without their shepherds) back into the fold; or the SDP (with or with-out the Liberals) had to replace Labour as the main party of the left; or there had to be an alliance between the two.

There was never much chance that any of the three would happen in time to secure a leftwing victory this time round. Four years was too short a time for the struggle for hegemony on the left, between Labour and the Alliance. to be fought to a finish with either side the clear victor. But it was also too short a time for either, and for Labour especially, to accept that it could not win by itself and that an alliance was necessarv. It was as though both had tacitly conceded one more Tory victory in advance, giving priority to their longer-term struggle against each other.

In that struggle Labour has clearly won the latest round. The question is whether it has won outright. That must depend in large part on its behaviour in the next year or

If Mr Kinnock carries on with his work of pulling the party back into the mainstream of British politics—fleshing out the moderate proposals in the 1987 manifesto, persuading the party conference to reverse its more doctrinaire positions, further disengaging the party from its association with wornout models of statist and cor- allow Dr Owen-or some other poratist socialism, adopting a Alliance leader, more willing defence policy which can and able to pose as the chamcredibly be presented as pion of a united left—to play strengthening rather than the role of Mr Mitterrand. But weakening Nato, and introduc-ing (as he is pledged to do) internal democracy within the party on the basis of one member, one vote—then many

It is by no means certain, however, that Mr Kinnock is in a position to do this. He is unlikely to be able to exert such tight control over the party in the aftermath of the election as he did in the run-up to it—especially given the rather disappointing overall result and the strengthened position of the far left within the new parliamen-

The far left could in fact prove the best allies of the SDP, precisely because they do not want to be forced back into sharing the Labour Party with right wing social democrats. Many left wingers, among them Mr Ken Livingstone, support proportional corporational for proportional representation for this reason.

The Alliance, in its moment of gloom, could perhaps take heart by remembering the position of the French Socialist Party in the 1969 presidential election, when its candidate won only 5 per cent of the votes against 21 per cent for the Communist, and the run-off ballot was between two conservatives. Soon afterwards Mr Francois Mitterrand won control of it and began building it up into the dominant force on the French left. He succeeded for three reasons. First, the electorate could see, and the Communists were therefore obliged to acknowledge, that without an alliance of Communists and Socialists there was no hope of

defeating the right Second, once that was admitted, the political centre of gravity with-in the alliance moved inevitably towards the centre, because it was centre votes that had to be won over. And third, when the Communists tried to pull out they lost support because the electorate blamed them for keeping the right in power. It is just possible that Labour

in Britain will repeat the errors of the French Communists and the drama would take time to play itself out: it was 12 years after 1969 before Mr Mitterrand became President of France. For those not willing to wait so of those who were party long, it seems a better hope that members or supporters before Mr Kinnock will succeed in 1981 and subsequently defected bringing Labour back to its historic tole in British politics.

Great north

From the Managing Director, Cunliffe Group Insurance Services.

Sir,—On June 11 you carried an article on the new Visa interchange centre in Kensington. This development may be a good illustration of the busia good illustration of the business attitudes which need to change if the domestic north/south divide highlighted by the Election results is to be changed.

The Visa interchange is a piece of electronics which pre-

sumably depends for its success on communication links and qualified staff. An effective telephone microwave network straddles the UK and there is certainly no shortage of electronic know-how in this city.
One wonders whether it was really necessary for Visa to choose to site its exchange in

choose to site its exchange in such an expensive area.

I know from my involvement with the Manchester Chamber of Commerce Economic Committee, that a great deal of excellent work is being done to revitalise Manchester's economic health. The tesk, however, would be easier were is not for the existence of a mental block at hoard level in our major at board level in our major

Breaking down the economic north/south divide is not just a matter of Government policy. It requires our major, mainly London-based, companies to change their psychological attitudes. Perhaps one of the most productive actions Mrs Thatcher can now take is to try to instil into our leaders of industry that they have a responsibility to regard location as more than deciding between the City and Reading. tween the City, and Reading, let alone Kensington. R. A. Jewell, Television House, Mount Street, Manchester.

Unit costs and production From Mr P. Stewart.

Sir.—I read John Muell-bauer's article (A note of bauer's article (A note of caution over productivity, June 10) with dismay. In all his rather complicated meanderings about whether productivity is up or down, the weight to put on capital, the prospects for labour productivity growth and unit labour costs, there is not one mention of the only sensible guide as to whether manufacturing in this country is doing a better job than previously. That guide is surely the unit cost of production. What does it matter if "productivity" (ie production) is up if the unit cost is also up? is up if the unit cost is also up? What does it matter if there is an increase in the output per head if the unit cost of the finished article also rises?

Letters to the Editor

dramatically) provided the unit cost of production falls?
Paul Stewart, 3 Dr Johnson's Buildings, Temple EC4.

Manufacturing productivity

Р. Ѕрепсет. P. Spencer.

Sir, — John Muellbauer's analysis (Lombard, June 10) of the trend in manufacturing productivity is overly cautious, if not actually inconsistent. We think the evidence points to an underlying growth in UK industrial labour costs of 3 per cent, not 4½ per cent as he suggests.

He assumes that employment in manufacturing would remain

From Mr G. Keating and Mr

in manufacturing would remain constant while earnings con-tinue to grow at 8 per cent. Manufacturers have continued to shed labour even during the present upturn and this trend would accelerate in the

trend would accelerate in the circumstances he envisages. The resulting increase in capital per head would boost labour productivity growth by far more than the per cent a year that he estimates.

To put his estimate in perspective, note that the increase in capital per head has boosted labour productivity by 1½ per cent a year since 1980, slightly up on the trend of 1½ per cent seen since 1955. It is difficult to see much acope for a slow-down in this trend if wages continue to grow at the rate suggested by John Muellbauer. Nevertheless, our analysis suggests a more favourable outcome, for both productivity and employment. The rise in manufacturing author to the productivity and employment.

employment. The rise in manu-facturing output has boosted earnings through overtime and bonus payments and cur esti-mates suggest that underlying (or cyclically-adjusted) earn-ings are increasing at less than 7 per cent a year. Adopting a

3 per cent for the trend rate of unit labour cost inflation, below that in competitor coun-

With the outlook for manufinished article also rises?

And, similarly, what does it matter if wages rise (even

ductivity, so labour cost infla-tion will be well below 3 per cent for the foreseeable future. Unit labour costs have been practically unchanged since the beginning of 1986 and should remain so this year. Giles Keating, Peter Spencer.

Credit Suisse First Boston, 22, Bisho, sgate, EC2.

Doomsday means ...

From Mr R. Morris
Sir.—I was fascinated and appalled by the arrogance north of the Border described by

James Buxton in his article (June 10).

He says that in Scotland "Doomsday means the Conservatives retaining power at Westminster but losing so many parliamentary seats in Scotland that the legitimacy of their rule . . . is called into question."

But what about the legiti-macy of several past Labour-governments which have been

governments which have been inflicted upon England by Scotland and Wales?
England almost always votes Conservative. I believe that Labour has only once achieved a working majority based on English seats alone: in 1945, and even then this had been whittled away by by-election defeats by 1950.

No subsequent Labour administration has achieved a working majority in England alone. This means that Doomsday is inflicted upon England only

inflicted upon England only when the Scots and Welsh vote Labour in sufficient quantities. The corollary is that while the SNPs and Plaid Cymru's policies might possibly, if implemented, be disastrous for Scotland and Wales, they would certainly be a glorious success for England, which would thereby be permanently ridden of the dangerous Celtic vote! Roger C. Morris. 17 Uxbridge Road,

Welcome relief

Stanmore, Middlesez.

From Mr D. Saunders Sir.—Ms Hayter (June 6)
writes that "a well paid City
friend" . resented "Mrs
Thatcher's" tax cuts because he could well look after himself.

If this "friend" exists outside her article he should know there are many far-from-rich people, especially at the margin of paying tax, for whom the Government's tax reductions have meant a welcome relief in keeping more of their own hard-

more competitive, leading to more output, more jobs and so more tax revenue. Tax oo make poss panding economy which in turn provides the means to help the less advantaged.

If Ms Hayter's "friend"

feels so guilty about his tax cuts, why not covenant his sur-plus to voluntary or charitable organisations — who may also re-claim the tax element for their extra benefit?

Or is it a case of talking big and doing little? David Saunders. 239 Manor Farm Road, Southampton, Hants

Telling point

From Mr M. Shields
Sir,—I note that even in your
columns, the widely-used mistranslation of the Russian word glosnost occurs. Whoever first coined the translation "open-ness" must have been a Soviet propagandist, because glasnost doesn't mean anything like "openness" at all.

It comes from the word for "voice," and means something like "publicity"; there is a fundamental difference between this and the meaning of "openness." Openness — otkrovennost —is letting people know what is letting people know what they want to know, whereas publicity is letting them know what you want them to know.

As such glasnost is a perfectly accurate word when used in Russian. It is a great pity we are not using a word of similar accuracy in English.

Mike Shields.

Mike Shields. 199 The Long Shoot, Nuneaton, Warwicks.

Interest rates

From Mr M. Moore

Sir,—Mr A. L. Teasdale (June 6) describes some of the great benefits to Japan of keeping its interest rate low, then by a remarkable sleight of hand uses this as an argument against the UK doing the same! Apparently, as when Churchill decided to take the UK on to the gold standard in 1925, when an action is politically expedient, reason and experience are as nought. Michael Moore. 58 The Ridge, Marple, Stockport, Cheshire.

Bubbles burst

From Mr E. Dadson Sir.—You report (June 11) that "Tie Rack flotation draws flbn."

Please reprint for readers the story of the South Sea Bubble. Eric Dadsou. earned money — and many 6 Pomona Road, businesses which are likewise Shanklin Isle of Wight.

Incorporated with limited liability in the Republic of France

Head Office: 7 rue de Téhéran-75008 Paris, France

CAPITAL INCREASE AND RIGHTS ISSUE OF NEW ORDINARY SHARES

The Board of Directors of BSN announce that, pursuant to resolutions passed at the Extraordinary General Meeting of the Company held on 2nd June, 1987, it is proposed to increase the share capital of the Company from FF451,790,600 to FF496,969,600 by way of a rights issue of 451,790 new shares of FF100 par value each in the proportion of one share for every ten shares held, at a price of FF3,500 per share payable in full on subscription.

The issue has been underwritten by a group of banks led by Lazard Frères et Cie., Banque Paribas and Crédit Lyonnais. The estimated net proceeds of the issue, amounting to FF1,550 million, will be used to strengthen the Company's working capital and to support its continuing growth.

The new shares will rank pari passu with the existing shares and will be entitled to receive all dividends and other distributions of the Company as from 1st July, 1987. Application will be made for the new shares to be admitted to listing on The Stock Exchanges in Paris, Brussels, Basle, Geneva, Zurich and London.

Provision will be made for shareholders to apply to subscribe for excess shares in addition to their guaranteed entitlement of one new share for every ten shares held. Excess shares will only be allotted subject to availability and in proportion to applicants' shareholdings.

Subscriptions and payment of FF3,500 per share applied for will be received, without payment of commission, from 24th June to 23rd July, 1987, at the head offices and branches of the following

France

United Kingdom

Lazard Frères et Cie Crédit Lyonnais · Banque Paribas Banque Nationale de Paris Société Générale Banque Worms Caisse des Dépôts et Consignations

Caisse Nationale de Crédit Agricole Banque Indosuez Banque Demachy & Associés Banque de Neuflize, Schlumberger et Mallet

Banque Transatlantique Crédit Industriel et Commercial de Paris Société Lyonnaise de Banque

Crédit du Nord Mutuelle Industrielle

Lazard Brothers & Co., Limited

Generale Bank Belgium Deutsche Bank Germany Switzerland

Lombard Odier & Cie A. Sarasin & Cie J. Vontobel & Cic Credit Suisse

A Summary Information Notice giving further details of the Capital Increase and Rights Issue may be obtained in London from Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT.

15th June, 1987

0932-231055

A BICC Company



Anatole Kaletsky on Wall Street

Life on top of the pile

MR RUDOLF GIULIANI, the New York district attorney, may be swooping like an avenging angel on the corporate raiders and arbitrageurs and manufacturing industry may be enjoying a revival at the US business schools, but for anyone who sincerely wants to get rich in America today there is still only one way to go - the merger and cor-porate restructuring game on Wall

This message emerges clearly from the latest survey of "The Wall Street 100" - the highest paid finan-cial executives in America - published last week by Financial

Of the top 10 earners identified by Financial World, seven made most of their money out of the mergers and acquisitions business, while an eighth specialised in floating private companies on the stock market through Initial Public Offer-

This group of 10 was so far ahead of anybody uninvolved in corporate restructurings that it is almost hard to understand why other financial managers, to say nothing of indus-trial executives, bothered to carry on at all for their relatively meagre

earnings.
The \$45m annual income required to reach Wall Street's top 10 was more than double the earnings of Mr Lee Iacocca, chairman of Chrysler, and the highest paid in-dustrial executive in the US last

More surprisingly, the top 10 were even further ahead of the best-known management figures on Wall Street - people like Mr John Gutfreund, chairman of Salomon Brothers, who earned only \$3.1m, and Mr Peter Cohen, of Shearson Lehman, who made around \$4m.

Even Mr Alan "Ace" Greenberg, chairman of Bear Stearns, got only \$14.5m, including bonuses, options and the capital gains on his Bear Stearns stock, according to the sur-

Indeed, among the great Wall Street firms only two private part-nerships provided their members with at least eight-figure remunera-Freres and Drexel Burnham Lambert - were, of course, primarily involved in mergers and corporate restructurings, rather than the more mundane business of trading stocks and bonds.

In the event Lazard's chairman Mr Michel David-Weill, came top of the list, with an estimated income of \$125m, while the controversial head of Drexel's junk bond department. Mr Michael Milken, came fourth with "as much as \$80m" in total earnings.

The rest of the top 10 included five other names familiar from the news on corporate restructurings -Mr Jerome Kohlberg, Mr Henry Kravis and Mr George Roberts, who made \$50m apiece from KKR's leveraged buy-out activities, and Mr William Simon and Mr Raymond Chambers, whose buy-out business through Wesray Corporation pro-vided them with \$45m to \$50m each.

Another of the top 10, Mr Morton Davis, is an equally well-known fig-ure outside the financial world. As chairman of Blair and Company, a Wall Street firm specialising in initial Public Offerings, he made be-tween \$60m and \$65m in fees and capital gains on the shares which he retained in his flotations.

The fortunes made in the corporate restructuring arena left just two top spots for Wall Street's traditional business of speculating in equities and bonds. But although these two names are little known outside the financial community they are becoming legends on Wall

Mr George Soros is said to have earned between \$90m and \$100m managing the Curação-based Quan-tum Fund, putting him in the No 2 position in Financial World's list for the second year running. Mr Soros has made most of his money specu-lating on macroeconomic trends not on the fortunes and misfortunes of individual businesses. He has been considered an isolat-

ed figure until recently, shunning the company of brokers on the grounds, as he often puts it, that he "has a very low regard for the sa-gacity of professional investors."

More recently, he has attempted to organise and publicise his ideas not only about the markets but

More recently, he has attempted to organise and publicise his ideas not only about the markets but about the world economy in general into a broad sociological "theory of reflexivity" that has attracted him considerable attention.

As an individual he is ironically likely to become most famous in the communist, not the capitalist, world. Not only has he argued strongly against the pseudo-scientific justifications of the capitalist market system, he has also devoted much of his wealth to establishing strongly against the pseudo-scien-tific justifications of the capitalist market system, he has also devoted much of his wealth to establishing an "open society fund" to support unofficial intellectual activities in his native Hungary, with the acquiescence of the Hungarian Gov-

David Marsh, in Bonn, on the political testment of a long-serving statesman

Brandt's emotional farewell

MR WILLY BRANDT, the 73-year old amalgam of strength and selfdoubt whose life has mirrored the vicissitudes of West Germany, yes-terday said an emotional goodbye to the Social Democratic Party (SPD) he led in both victory and de-

His rambling farewell speech of nearly two hours at the SPD's ex-ceptional one-day conference in Bonn represented the political testament of a man who has arguably done more than any other living West German to bring the country to terms with its uneasy past.

The long dissertation, peppered by shadowy, probing and ironical asides lightened by the odd, often self-mocking, jibe, marked the end of Mr Brandt's 23-year reign as chairman of the party which has now formed the West German opposition for more than four and a half

He will, however, remain honorary chairman while his successor, the solid but lacklustre Hans-Jochen Vogel, slogs on in office. The speech was both a look back into history and an effort to give new philosophical drive to a party which, beaten in the January general elections and suffering from severe internal strife and indecisiveness, is starting to become resigned to a long period in the political wil-

Declaring that, whenever in doubt, Social Democrats should always fight "for liberty" Mr Brandt sketched out a vision of an SPD which would stand out for social justice and peace against "the German leaning towards concentration of power." He warned that "the state must not want to do and regulate everything."

Mr Brandt twice used the word "Fatherland" to express new-found pride in the dividend and wounded country from which, as a young Socialist, he fled in 1933 to escape the Nazi regime. Evoking the SPD's warnings in 1932 about the rise of the Nazis, Mr Brandt set down



Mr Hans-Jochen Vogel (right) yesterday amiauding Mr Willy Brandt, his predecessor as chairman of West Germany's Social Democratic Party. Mr Vogel said there would be no "going back" on the party's controversial decision last summer aimed at a gradual shut-down of

the country's nuclear power stations.

Mr Vogel was elected by 404 votes to nine out of the 423 delegates at yesterday's party conference, with 19 abstaining. Mr Oskar Lafontaine, the Prime Minister of the state of Saarland, who is tipped by many as the party's next candidate for the chancellorship in the 1990 genera

the party's next cananciate for the chairman, a position he will share with Mr Johannes Rau, Prime Minister of North Rhine Westphalia.

Mr Vogel, the party's unsuccessful candidate for chancellor in the 1983 general elections, called on the party to analyse fully the reasons for its recent setbacks against the governing conservative parties.

He also said the party had to give up finally its debate of last year that the last the said the party had to give up finally its debate of last year. about whether to enter an alliance with the anti-nuclear Greens party. "The permanent debate over alliances . . . is a precious help for all our

ents." he said. opponents," he said.

Mr Vogel was the main speaker at the "peace rally" in Bonn on Saturday urging hill muclear disarmament. Attracting 100,000 people, the rally ran into strong criticism over the weekend from the federal Gov-

When it was all over, Mr Brandt's standing ovation. taut, lived-in face, perennially tanned from his frequent stays in built up in front of him from lady the South of France, glistened with SPD admirers. Then, and only then,

tion to nuclear power - must run a man might chose to be buried in. the risk of sounding unpopular. "We He sat down, stood up, sat down must not gear our programme to again, half-overwhelmed, half-exaswhat people want to hear," he said. perated, during an eight-minute

sweat, a mask of both grief and re- Mr Brandt finally and somewhat refirmly his belief that the SPD - for lief. His dark suit, complete with luctantly saluted the packed Beet-instance in its present-day oppositions waistcoat, looked curiously like one hoven Hall. The episode underlined

which during a quarter of a century he has inspired awe and massive spect – but not love – and which finally dethroned him when he was forced to announce his resignation

Mr Brandt changed the politics of his own country and of Europe with his Ostpolitik policy of normalising relations with the East under his Chancellorship from 1969 onwards before he resigned over a spy scandal in 1974. In one of the almost arbitrary falls from grace which has plagued his career, he quit the chairmanship three months ago, a year ahead of schedule, after a row over his bid to appoint a non-SPD Greek-born party spokeswoman.

The bruises were not far below the surface yesterday. Mr Johannes Rau, Prime Minister of the state of North Rhine Westphalia and unsuccessful candidate for the Chancellorship in January, and who has not always had a happy relationship with the chairman, appeared to bring tears to Mr Brandt's eyes when, addressing himself to the chairman, he asked for forgiveness "for those who have hurt you."

Mr Brandt at one point directly eferred to the spokeswoman inc dent. Showing that the scars have not healed, he said some of the sentiment against the disputed ap-pointment in March had been shocking."

The SPD was "a European party" and "enmity towards outsiders" should always be opposed, he said

Mr Brandt admitted that he had made mistakes at the helm of his troubled and troublesome party. The self-rebuke seemed to refer to his former, now-regretted hints of a possible alliance with the Greens ecology party which cost the SPD votes in January.

"I have not always considered what should be considered. I am sorry," he said. "And that is it," he added, confirming that the defiant sagacity which will go down in his-tory as his hallmark is still very

Customs to speed express

THE WORLD 'S customs services are soon expected to take the first

press mail industry. The express mail operators, mos of which are privately owned, believe major changes are needed if the \$4bn-a-year industry is to maintain an annual rate of growth estimated at between 20 per cent and

The initial reforms will be high on the agenda of the Customs Cooptions which meets in Ottawa next

The council will have before it

The memorandum, described by one official as a "gentlemen's agree-ment," has been drawn up by the council's Brussels-based secretariat, which has been negotiating

since January.

The secretariat is also recom-

This reflects moves being made by a number of customs services notably in the US, to speed up information processing and reduce paperwork.

The guidelines would have only advisory status, however, and would remain in force for only 12 months, after which a review of their effectiveness would take

The secretariat has dropped earli-

some council officials, and by a number of costoms services which regard express mail as an arm of

resents the major companies, said it was awaiting the response of the Ottawa meeting to the secretariat's Welsh MPs of the appointment of proposals.

THE LEX COLUMN

The way back for the US banks

IT IS almost a month since Citicoro. the biggest US banking group, dropped its bombshell and announced that it was taking a second quarter loss of \$2.5bn after effectively writing down by a quarter the value of its troubled Third World loan portfolio. The results have been stunning.

The stocks of US money centre banks have been among the hottest. performers on Wall Street over the past few weeks as one after another of Citicorp's less courageous rivals has unashamedly copied the market leader and written off billions of dollars of shareholders' funds.

The share prices of Citicorp, Chase Manhattan, J. P. Morgan and Bankers Trust are up by between a fifth and a quarter while the overall stock market has risen 7.8 per cent since Citicorp's historic announcement on May 19.

Provision mountain

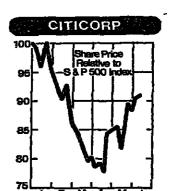
To date, seven of the top dozen US banking groups have reported combined losses of \$7.3bn as a result of cleaning up their loan port-folios, and most of the rest are expected to follow suit within the next few weeks which could push the aggregate write-offs above the \$10bn mark.

Bank America, the weakest of the US banking majors, has already taken the plunge and Manufactur-ers Hanover, which is more exposed than most to the Third World debt crisis, is expected to announce its plans after its board meeting to-

Its shares are currently yielding 7.4 per cent, two-and-a-half times the market average and a substantial premium over the yields offered by its New York rivals. But analysts are betting that unlike BankAmerica and Mellon it will decide to hold its dividend.

However, for the moment Wall Street analysts are dutifully noting the healthy primary capital ratios and are turning a blind eye to the sharp reductions in common stock-

The credit rating agencies, meantime, have declined to downgrade the banks' debt securities. They are taking the considerate view that the massive provisions are merely adusting their financial statements to bases which "more accurately reflect economic reality.'



ment community which has long

Back in the early 1970s, when headlong international expansion was the name of the game, New York money centre banks sported earnings multiples in the 20s. Nowadays most are selling at between six and seven times earnings and even a "blue chip" institution like Morgan is only selling at 11 times earnings - nearly half the average multiple on the constituents of the S & P 500.

Wall Street is pleased that the US money centre banks are finally facing up to reality. However, this satisfaction cannot fully explain the sharp jump in US banks share prices over the last month.

Indeed, it can be argued that the most difficult task for the banks has yet to be tackled - that of removing the Third World assets from their balance sheets without incurring heavy losses which will eat into primary capital ratios.

One of the more intriguing explanations for the recent sharp rally in US bank shares is that Wall Street senses that the various legal regula-tory barriers - most notably the separation of commercial and investment banking - which have im-paired the profitability of the money centre banks over the years, may be beginning to disappear.

cent straws in the wind. Thus Dr Alan Greenspan, the next chairman of the Federal Reserve, is thought to he more enthusiastic than his predecessor about loosening the

banks" in the US which would each have assets of the order of \$500bn and would be big enough to be able to compete on equal terms with the Japanese financial power-houses. Only a few years ago six out of the 10 biggest banks in the world were from the US. Today, only Citicorp can scrape into the list.

It is in fact debatable whether doubling the size of Citicorp or J. P. Morgan would help them give the Japanese a run for their money, but the idea has clearly caught the imagination of Wall Street.

Just suppose that Citicorp were allowed to buy Merrill Lynch, while J. P. Morgan and Morgan Stanley were allowed to get back together again. And what if Exxon were to swallow Chase Manhattan? In such circumstances the US money centre banks could once again join the

ranks of the glamour stocks. But for the moment such idea are nothing but pipe-dreams. In the short term, at least, the main thrust of official policy is likely to be to-wards helping repair US bank profi-tability. This has been declining at the same time that credit quality has been deteriorating.

Profitability, as measured by return on assets, has slipped by a third over the last five years whilst net charge offs to loans have risen by three-quarters.

Risk profile

There is widespread evidence that big US banks have had to accept greater credit risks in order to maintain earnings and prop up their loan volume.

Their more creditworthy customers are increasingly by-passing them and instead are using the services of investment banks to tap the commercial paper or bond markets.

The result is the securitisation of former bank assets, Unless the major US banks are

allowed to diversify their earnings by removing some of the more onerous geographical and product res-trictions, the number of problem banks, which has risen nearly fivefold since the start of the current There have been a couple of re-US economic recovery, is likely to

Despite Citicorp's bold move, it is too early to call the turn in the fortunes of the money centre banks, but that judgment could change if The US money centre banks, paradoxically, are basking in their new-found popularity in an invest
Secondly, there have been rethe four-year-old legislative stalenate on US banking reform were to the evolution of five to 10 "superthe four-year-old legislative stalenate on US banking reform were to the evolution of five to 10 "super-

India hit by further wave of Sikh terror in Punjab, Delhi

BY K. K. SHARMA IN NEW DELHI

weeked with attacks in Punjab and been mobilised and has the heart of the Indian capital, Delpositions around the city.

Fifteen people were reported to have been killed in Punjab yesterday while in Delhi police were placed on alert after Sikh gunmen short dead 12 people and injured 22 late on Saturday in the worst extremist attack in the Indian capital in

Gangs armed with machineguns and hand grenades attacked Hindu homes in the fashionable residential suburbs of south Delhi in four Police said that no arrests had

expected to have either escaped sary last week of "Operation Blue-called in Delhi today by the across the border with Haryana star", the army action ordered by wing Indian People's Party.

Continued from Page 1

Pope leaves Poland

to the cleric's parents.

The Pope appears to have come
The Pope kissed the massive to Poland determined to reverse the

granite cross marking the grave mood of popular apathy that had and laid a bouquet of flowers in the set in following the imposition of

Earlier yesterday, the Pope pray- in the 1950s.

red and white colours of Solidarity. martial law,

The 10,000-strong crowd who wa-

ited outside the church gates during the ceremony were outnumbered by police and plainclothes security men deployed by the authorities to

deter Solidarity demonstrations.

Later, the Pope went on to offi-ciate at a mass attended by about

SIKH extremists escalated sharply state or were hiding somewhere in the late prime minister, Indira their campaign of violence at the Delhi. The entire police force has Gandhi in June 1984, on the Golden weeked with attacks in Punjab and been mobilised and has taken up Temple in Amritsar. Bombs have

was imposed in Punjab over a month ago the police have cracked down on extremists and only last week the authorities were claiming considerable success in eliminating leading terrorists. The current wave of terrorist ac-

tivity suggests that the extremists are striking back not only in Punjab but attacking in Delhi with the aim of trying to force the authorities to stop the crackdown in Punjah.

Police in Delhi have been expectbeen made and the extremists are ing such attacks since the anniver-

little in terms of the changes which Im people in front of Warsaw's Pe-Gen Jaruzelski had led him to ex-pect. Impeople in front of Warsaw's Pe-may take some time to emerge, but it is certain to strengthen Solidarity tower donated by the Soviet Union and the opposition groups around

ed at the grave of the murdered So-lidarity priest Father Jerzy Popie-bestified Bishop Michal Kozal who buszko at St Stanisław Church in a Warsaw suburb and offered comfort tion camp in 1943.

was clearly a high point, thrilling the crowd, many of whom carried red and whith Solidarity banners. The effects of the Pope's visit

been found on railway tracks and in Since direct rule from New Delhi a market in New Delhi.

Nevertheless, the weekend attacks in the capital took the authorities by surprise since Sikh extre-mists have not made Delhi a target since a series of bomb explosions in May 1985. Police fear further attacks aimed mainly at Hindus, and designed to take pressure off the militants in Puniab.

There is also concern that if the violence continues, it could lead to a Hindu backlash because of the growing anger against the Sikhs among the majority community.

A protest general strike has been called in Delhi today by the right-

it, and help attract new recruits. It

movement like that which spawned

Solidarity in 1980. The moderate Polish Church leader, Cardinal Jozef Glemp, has

also been placed in a difficult posi-

Pope told Polish bishops that work-

ing for civil rights was one of their primary tasks.

His sermon at the Zaspa housing tion. The Pope has made it clear estate in Gdansk when he openly that Solidarity priests like Father declared himself the spokesman of Popieluszko, who was killed by Pol-

the banned Solidarity movement ish security police in 1984, are a was clearly a high point, thrilling model to be followed. Yesterday the

delivery

steps towards removing bureaucratic barriers to the fast-growing ex-

eration Council, the UN agency representing 98 national administra-

draft proposals for a memorandum of understanding which would recognise the industry's special need to avoid customs delays.

with the major express companies

mending draft guidelines designed to harmonise the procedures of individual customs administrations and encourage greater use of com-puters and electronic transfer of information.

er proposals to amend the Kyoto Convention, the basis of international customs procedures, to include a detailed annex covering ex-This proposal was opposed by

er.
In general, the changes, including the recall of Mr Parkinson to be-

Express mail operators have made clear privately, however, that they regard the guidelines as the England and Mr Barry Jones, La- first step towards full recognition of bour's Welsh spokesman, said the principality needed "a Welsh MP at the helm."

first step towards full recognition of the emergence of a new industry which requires a major change in the helm." This announcement appears as a matter of record only.



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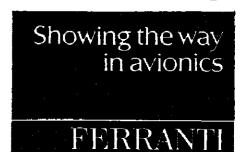
June 1987





SECTION II - COMPANIES AND MARKETS FINANCIALTIMES

Monday June 15 1987



INTERNATIONAL BONDS

Eurosterling dealers confident despite setback on Friday

secondary market action, writes in sympathy.

Clare Pearson in London.

Most were still confident, howmore favoured by investors.

Elsewhere, encouraging

had been confirmed in power by the

must have been running particularly high among those Eurosterling
dealers who stayed up all Thursday
night to deal. They said they saw
solid two-way business in the longsolid two-way business in the longs er-dated and more liquid issues, such as a recent £200m 20-year bond for the World Bank, during the small hours.

Indicates bonds on announces pair ings, anticipating a later rally.

All of these bonds were quoted at potentially loss-making levels for manager had to fix the bond's maturates mail hours.

SERVICE OF THE SERVIC

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with the Venice summit and US to profit-taking as looked-for Japa-trade figures due on Friday. So nese buying did not emerge, and most sectors once again saw little the Eurosterling market slouched

But many were hoping for some solid activity in the Eurosterling market on Friday, as they were anticipating an inflow of foreign funds once the ruling Conservative Party of Sterling entering the Eurosterling on the Eurosterling on the Eurosterling on the Sterling entering the Eurosterling on the Euroster ropean Monetary System - filtered convincing new initiatives to curb outcome of the British general election.

through to Continental and Far the US trade deficit.

Eastern investors.

Most still view the Eurodollar fixed rate new issues market as ef-

per cent commissions. Dealers said the surfeit of issues for banks in the Eurosterling market this year accounted for the fact that it was

Given the GMAC precedent, many dealers expect more bonds to have given it a helping hand, as appear at this maturity, although dealers managed to sell last week. But, meanwhi

all grist to the mill of the propo-Here issues are not arranged in struments, lured investors in.

fering maturities on demand. to trade at premiums, even though
The depth of investor interest in the Asian tranche of a \$200m deal they tend to give in to their dethe medium-term note market refor Minebea, the ball bearings commains largely unknown at the mo- pany, had to be withdrawn from the

Ironically, GMAC's bond may drawn by Nomura International the

But, meanwhile, Yamaichi Interothers are more sceptical about its between \$10m and \$20m of a \$1bm national (Europe) underlined the advantages. They say that issues at the shorter maturities tend to get dropped by dealers, as they are bordropped by dealers, as the bordropped by dealers, as the bordropped by dealers, as th ing to trade so whatever their size uary, but very little of which has Chemical. The % point cut had no the investor has no assurance that they will be liquid.

The overriding problem of illiguid to be offering the paper at a quidity in the Eurobond market is yield of around 15 basis points over here that it is in the first that it is in the first

that available on the two-year bond, bound to exert further downward nents of an alternative means of raising medium-term debt – the medium-term note (MTN) market. MTNs are still largely untried intermined far more by precedent than by credit and investment anallarge, on-off amounts, but borrow- Elsewhere, equity warrant bonds ysis, and Japanese securities ers can issue small amounts at dif- for Japanese companies continued bouses desire to maintain relation-

Given the current enthusiasm for

THERE WERE lots of good excuses In the event they were disaptor playing a waiting game in the pointed. During Friday morning the European tranche had been with the maturity spectrum is viewed as ment, however, as only a handful of a safe haven by investors in an unprogrammes have so far been are cause of lack of demand. The \$100m the coupon level can be an irrelection of less 2, still outside its 1% certain environment. vancy. But, as the withdrawal of Minebea's bond demonstrated, it can also have dire results in a market where underwriters can usually be assured of fat profits.

> sary Mariot Straights Conv FRM Other 6 605.2 360.4 3.1 4,807.0 468.2 367.4 168.7 3,966.4 6c 2,686.2 718.5 65.3 332.0 v 2,666.2 2.6 0.0 564.0 ondery Martot 5 25,906.0 1,900.2 16,287.1 7,640.7 7 21,477.0 1,705.1 15,908.3 6,667.8 87 20,672.5 1,000.5 2,967.0 11,789.4 7 16,140.1 848.3 6,430.3 12,477.9 Cedel Euroclean 18,755.1 38,864.8 13,857.8 36,941.9 18,103.2 21,946.3 16,262.8 24,875.6

EUROPAPER AND CREDITS

Investors lured by sophisticated swaps undeterred by dollar concern

that the market for Eurocommer- the market's point of view. The uncial paper has made major strides precedented foreign exchange mar-since the year began, writes Ste- ket intervention earlier this year to since the year began, writes Stephan Fidler in London.

seems to have risen significantly as holdings of dollars.

new investors, many outside the financial sector, have been attracted go straight into US Treasury bills, to the market. Ignoring note issues, but these days many central banks the amount of ECP outstanding are looking to pick up yield by in-may have grown to as much as vesting in top-rated sovereign risk

S35bn, some houses estimate.

The sophistication of the swaps market has ensured that investors have continued to buy paper despite concern about the dollar. On occasions, it even allows them to pick up yield, despite the cost of between the fand 12 basis points for the swap transaction.

Westing in top-rated sovereign risk and trading in and out of the market as many as two or three times a day.

Central bank influence on the market has also waned in the last month or so as intervention volume has slowed. Thus, while they are expected to remain a feature of the market as many as two or three times a day.

Central bank influence on the market has also waned in the last month or so as intervention volume has slowed. Thus, while they are expected to remain a feature of the market as many as two or three times a day.

MANY issuing houses, taking stock
as the half-year approaches, agree dollar has had other benefits from where between 80 and 90 basis bolster the US currency left many The amount of outstanding paper central banks with large investible

points below London interbank bid rate. Compare that with the yield of 10 to 12.5 basis points below Libid for the three-month paper issued last week under the new programme by Belgium.

Some central banks are known mainly as short-term holders of the paper, viewed in the same light as the banks dealing in the market and trading in and out of the mar-

reliable long-term investor base.

though. The run implies total fundibility among the credits, and investors' indifference to the paper they hold. The concept of the "run" is well developed in other, more mature markets, such as that in bank broil themselves in controversy,

In the corporate sector, issuance in the ECP market has undoubtedly been slowed by the lower yields at which many borrowers can issue in the domestic US market. However, this has not been a block to all US

Chrysler Financial, for example, is said to have built its ECP pro- en cases have dealers been gramme to \$700m at what it dropped. presumably considers advantageous rates by its willingness to tai- announced this week was a \$200m sis points and a commitment compected to start shortly.

rather than to the fact that no dealers are underperforming.

Of the more than 400 programmes, according to one bank's analysis, only 20 to 30 have an-nounced dealership changes. The vast majority of which were addi-tions (in which there may or may not be implied criticism of the existing group). In only about half a doz-

Among new ECP programmes

They have helped create a so- lor its paper to what borrowers are called "run" of triple-A rated paper, looking for.

They have helped create a so- lor its paper to what borrowers are lishing group Hachette arranged by Bank of Finland is lead manager. looking for.

What has not occurred yet is the predicted shake-out of underper-forming daplars. That this has not occurred to the predicted shake-out of underper-forming daplars. That this has not occurred to the predicted shake-out of underper-forming daplars. That this has not occurred to the predicted shake-out of underper-forming daplars. That this has not occurred to the predicted shake-out of underper-forming daplars. The predicted shake-out of underper-forming daplars.

In other financings, Caledonian Paper Mill, a subsidiary of Finland's second largest industrial group Kymmene, is arranging a £165m guarantee facility to back a leasing facility arranged by Lloyds Leasing to provide plant and machinery for a new £250m paper mill interest of the translated Spanish utility. Negretains in Scotland. The guarantee is for 10 years, with a guarantee fee of 25 ba- tiations with the borrower are ex-

Taylor Woodrow, the UK engipredicted shake-out of underper-forming dealers. That this has not happened seems to be due more to unwillingness of borrowers to em-broil themselves in controversy.

and Swiss Bank Corporation Inter-national acting as the other dealers.

A \$100m programme for the Swedish tools group Aktiebolaget Hambros and Samuel Montague, was arranged by Enskilda Securi- which it has also appointed as dealties with Citicorp acting as the oth- ers for a sterling commercial paper

> Hyundai Canada is the borrower in a \$100m loan facility led by Manufacturers Hanover Asia to build a

the troubled Spanish utility. Nego-

Telefonica extends **US** share offering

By David White in Madrid and William Hall in New York

TELEFONICA, the Spanish te-lecommunications utility which had its shares listed in New York on Friday, is extending its US share offering to a maximum of about \$375m in view of heavy de-

the placing would be the biggest to date by any non-US group in the New York market.

The offering was extended from 45m shares to 48m and the Telefonica board gave last-mi-mute approval for raising the to-tal if necessary to 54m units.

The price, set after authorisa-tion was received on Thursday from the Securities and Exfrom the Securities and Ex-change Commission, was \$20.875 per block of three shares, in American depositary form.

The offering, being underwrit-ten by some 60 institutions headed by Goldman Sachs, Mer-rill Lynch and Salomon Broth-

ers, will increase the foreign holding in Telefonica to about 22 per cent. The current legal limit

Mr Tom Tuft, a partner with Goldman Sachs, said the in-crease in size of the offering reflected US investor interest in "an undervalued security with an impressive management team."

The company's price/earnings ratio of around seven, based on US accounting principles, was considerably below the ratios of the US regional telephone companies and the yield was also higher, which had attracted investor demand.

In the first day of trading the American depositary shares of the company rose \$1% from the offer price of \$20% to end the sea-

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11th June, 1987



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Warrants

to subscribe for shares of common stock of ASICS Corporation The Notes will be unconditionally and irrevocably guaranteed by

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Morgan Stanley International

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Crédit Lyonnais

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Swiss Bank Corporation International

INTERNATIONAL CAPITAL MARKETS and COMPANIES

FRENCH PRIVATISATION

SocGen offer marks break with tradition

SOCIETE GENERALE, the fourth largest French bank, today begins its FFr 22.4bn (\$3.7bn) privatisation offer. The flotation carries a certain symbolism, since it is the first time that the right wing Government of Mr Jacques

Chirac has sold a company nationalised by its hero, General Charles de Gaulle, rather than by its Socialist pre-It marks at least a partial

break with the French tradition of using the banks as an arm of government industrial policy a tradition seen in practice last month, when Societe Generale was roped in with its colleagues, BNP and Credit Lyonnais, into the restructuring of the trucks division of Renault, the state car group.
"You can climb very high without having to shout from the rooftops" is the slogan of Societe Generale's two-week

offer for sale, which aims to play up the solidity of its

For the next fortnight, however, Societe Generale will
have to swallow its own advertising jingle and shout its

blemishes on Societe Generale's at least two years. Together they will control 20 per cent of privatisations such as that of the bank's capital.

They include groups that

investors, as it has ben in past they will control 20 per cent of privatisations such as that of Paribas.

By issuing free share warvirtues from as many rooftops as it can find.

suggest the shares will trade at a premium of around 15 per 11 per cent down from its peak 21 months ago — and with signs that the French public is losing some of the appetite for privatisation shares that devoured the offers for sale of the price set is viewed as other French state sector compared to the offer sector compared to the other French state sector companies such as Paribas or Societe Generale's own subsidiary, Sogenal.

A further irritation has come with reports that the bank stands to lose out in a dispute following a routine inspection by the French tax authorities. The daily newspaper Libera-tion claims the dispute could bring Societe Generale a tax bill for as much as FFr 600m. although this figure has not been confirmed.

First indications from international dealing rooms already It has to contend with a dis- suggest the shares will trade The price set is viewed as

being at the low end of expect-ations, and is only 4 per cent above the minimum value of FFr 21.5bn fixed by France's privatisation commission. It is also below the estimate of FFr 432 a share made by Cholet Dupont, Societe Generale's The Government has also

managed to find a wide range of institutions eager to join a hard core of investors. These institutions will pay a premium een confirmed.

of 5 per cent and must promise
Although there are some to hold on to their shares for

rants to existing shares and nonvoting certificates of invest-ment, Societe Generale has created a reservoir of potential

new capital. The Government, as bank's current owner, will have the right through these warrants to subscribe to up to 4.57m new shares. It has indicated that it will use this right selectively in order to round off the number of shares allotted

The Finace Ministry has sperad its net further afield, to individual subscribers.

Paris stockbrokers are relieved at this decision, remembering the chaos caused however, and two of the largest shareholders are foreign insurance companies. Commercial Union of the UK and Meiji Mutual Life will each receive 1.045m shares, while smaller stakes go to Spanish and Italian institutors. by the allocation of 11 shares to subscribers to the privatisation offer of the small bank BIMP. Stock exchange rules meant that the single share and the half share had to be sold separately, doubling the paperwork and the Nor is the ministry taking any chances over the possibility of being caught short of shares to

George Graham

Swiss Merck to lift payout as profits leap

By John Wicks in Zurich NET EARNINGS of Merck AG parent of the Swiss-based chemical concern, jumped by some 78 per cent last year to SFr 23.4m (\$15.6m). At the annual meeting to be held in Zug today, the board is to propose payment of a sharply in second 14 per cent dividend sed 14 per cent dividend

for bearer shares. The total payout of SFr 21.4m compares with a dividend sum of SFr 11.2m for the previous year, when 7 per cent had been paid on a

smaller capital most of the non-German opera-tions of the Darmstadt-based E. Merck, last year raised capital from SFr 160m to SFr 300m, in part by the placing of 200,000 bearer shares with the

According to Dr Hans Joachim Langmann, the chairman, a further increase in bearer-share dividend will be made for 1987 on the back of higher 1986 income from subsidiaries, and one of 6 per cent for registered shares.

The Merck AG group as a whole last year showed a 7.7 per cent rise in its net profits of difficult market conditions."

New HK banking categories suggested

HONG KONG'S three-tier years, banking system, comprising licensed banks, registered, and licensed deposit-taking companies (DTCs), could be funda-introdu mentally changed if options on mentally changed it options on possible reforms to the industry, contained in a series of discussion documents to be released this week by the Commissioner of Banking, are put banking incence, the grouping of all DTCs under one umbrella, imited service licence for DTCs with exemptions from certain sections of the Banking Ordinance, and increases in into effect.

The proposals for change are broadly aimed at evolving the regulatory system in line with changing financial markets, and maller capital. | following a series of embarrass- permit them to be involved in The company, which controls | ing bank collapses in recent retail deposit-taking.

BY OUR ZURICH CORRESPONDENT

Nagel, the international for-

The company, owned jointly

Gross profits were down by level,

Six options for reform to the existing system are discussed in the paper. They include the introduction of a limited service banking licence, the grouping of all DTCs under one umbrella,

service banking licence would enable financial institutions to at improving the territory's be present in the interbank and reputation as a financial centre, regional markets, but would not

DM 634m, though net earnings

come in 1986 owing to lower in-

showed satisfactory earnings,

but rather below the 1985

come from ocean traffic Elsewhere, the Swiss-based Kuchne & Nagel International

minimum capital required by

concerns that currently do not qualify for a bankin glicence because of their small size. Foreign banks need total assets of US\$14bn to obtain a banking licence in Hong Kong.

They include groups that

have been to the fore in the hard cores of many other

French privatised companies, such as the state-owned insur-

ance companies Assurances

Generales de France and Groupe des Assurances

Groupe des Assurances Nationales, which will receive 1.1m shares each, some 2 per

cent of Societe Generale's capi-

tal, and Compagnie Generale des Eaux, with 275,000 shares.

institutions.

The option to bring DTCs into one category would require all such concerns to meet existing paid-up capital require-ments of HK\$75m (US\$9.6m) while restricting them to taking deposits of a minimum HK\$500,000.

Licensed DTCs now meet those requirements, but regis-tered DTCs require a minimum paid-up capital of HK\$10m, and tory bodies.

The licence would appeal to are restricted to taking deposits of a minimum HK\$50,000.

Under this option, existing registered DTCs would be given a two-year grace period to meet new requirements, and a limited service DTC category might also be introduced. Such companies might be exempted from adhering to some requirements of the Banking Ordinance.

Other issues addressed include the increasing overlap of the securities and banking industries, and how companies involved in both activities should be most effectively supervised by different regula-

Pennzoil may opt for split

BY OUR FINANCIAL STAFF

PENNZOIL, the Houston-based both oil company which is locked in a \$10.3on legal battle with the far larger Texaco, is considering carving itself up into about four separately quoted units as one of a number of restructure proposals now being examined. Officials refused to comment on suggestions that this might involve the sale of some businesses to Texaco as a means of

resolving the dispute. Shares in drawn-out period."

companies responded strongly on Friday to this idea, however, with Pennzoil up \$22 to \$86/ and Texaco—current's in Chapter 11 shelter from the lawsuit—rallying \$7 to \$387. Mr Hugh Liedtke, Pennzoil chairman, was quoted as saying at the weekend that it would "proceed iwht restructuring if it serned that the litigation

NEW INTERNATIONAL BOND ISSUES Offer yield Yamaichi lat. (Eur) Horusza Int. (Eur) Yamaichi int. (Eur) Yamaichi lat. (Eur) US DOLLARS Victor Co. of Japan ¶ Victor Co. of Japan ¶ Microbishi Chem. ¶‡ 1994 1.375 Cenon Sales ¶1 Jardine Strat. Hidings S CSFB Homore Int. Yappaichi Int. (Enr) Toyo Sash 171 Hokunku Bk. 51 2082 1992 1994 1992 1992 Delver Cauchi ¶
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Matsuye Co. Ltd. ¶
Kensei Prints ¶ 186.15 180 190 100.15 Yamaichi Socs. Bankara Trest Int. Tops Series IV †
Tokya Corp. ¶
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8MAC ‡
Nikkan Chemicals ¶ 106 199 7087/r 108 188 7.761 HBS (Secs.) 208 50 68 1989 1992 1992 Clary Ltd. 7 3.214 1131/2 61/2 158 1997 Council of Europe 1 Long-Term Credit Bb. Japa Credit Suissa Credit Suissa Bangon Indones Credit Suissa Bi, Gutzwiller, KB SWISS FRANCS 19642 160 199 190 168 (d) 169 SWISS FRANCS
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Supater Inc. "3
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Sulfreans Misas Ltd. 4
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ATLAS Copen AB **†
Union Bank of Finland **† 188 1894: 198 198 Rept. Gest. die Lancet Soundez Hendelskin 1995 Symples Hendelshik Boe. Gen. da Lexendo Ril. AUSTRIAN SCHILLING Republic of Austria 1br 1997 Swedish Export Credit ‡ Wagosi Corp. ¶ 7½ (1½) Daises Europe Bgs. Paribes Cap. Mitts. 3.848 4.353 4.674 7,872 1991 1992 1994 1992 Destaurk I State BK. of Victoria I Excellent I Excellent I 10bn 36bn 20bn 5bn Yamaicki int. (Eur.) Mitsebishi Fin. let. 4% 4% 7½ 181¾ 101% Yamaichi int. (Eur.) Yamaichi int. (Eur.) Yamaichi int. (Eur.) 1992 1992 12ba 76a NEW ZEALAND DOLLARS 17.457 1844 18114 **Wood Scools** 58 1988 CANADIAN DOLLARS Deutscha Back Finance NV ‡ Royal Truston Ltd. ‡ 5 1982 AUSTRALIAN DOLLARS 13.281 13.676 Nord LB Fin. Curação MV ‡ 1991 14% 13½ 14½ 14% 14% 181% 181% 1998 1994 ons Bank ‡ 12.884 13.855 Constant Desiries Asst. Ltd. ‡
Some Aust. Leasing ‡
NY Nederlandse Gesunis ‡ 75 50 38 75 1990 1952 1011/2

"Not yet priced. ‡ Final terms. "" Private placement. ¶ With eqity warrants. § Convertible. † Floating rate note. Ø With gold cell and put warrants. (a) 209,000 Convertible cam preference shares with a comical value of 1,000 each. (b) Deal conversy. (c) in M2 deliars. 946 first year, then linked to bank hill mid-rate. (d) Not yet disclosed. (e) First year 1% rising in step to 7½. Note: Yields are calculated.

This announcement appears as a matter of record only

Kuehne turnover declines

TURNOVER of Kuehne & only 1.2 per cent over 1985 to

warding agent, dropped by 7.7
per cent last year to DM 4.53bn
(\$2.5bn), due largely to the fail
ir. the dollar.

Name and the tail warding agent, though the cent last year to DM 31m.

Within the overall results,
Kuehne & Nagel Germany
booked a slight decline in in-

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> Amhold and S. Bleichroeder, Inc. Bank J. Vontobel & Co. AG Dewfin S.A. Götabanken James Capel & Co. Yasuda Trust Europe Limited



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12th June, 1987

Genossenschaftliche Zentralbank AG, Vienna

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft

Österreichische Länderbank Aktiengesellschaft

Barbara de la Carta de la Cart

TOTAL WITE

INTERNATIONAL CAPITAL MARKETS

US MONEY MARKET RATES (%) US BOND PRICES AND YIELDS (%) NR! TOKYO BOND INDEX Becomber 1983 - 166 11/6/87 3.84 140.90 138.45 131.30 4.08 4.23 4.83

US MONEY AND CREDIT

Trade figures spark late rally

AFTER marking time for much President said. of last week the US government bond market sprang to life on Friday when the long bond jumped by close to two full points an long-term govern-ment yields slid through the 8.5 per cent level, ending the week at their lowest in six

The Venice summit was a non-event as far as the US credit markets were concerned. The New York Times concluded that it did "no harm and very little business" and many analysis would agree with Sir Geoffrey Howe, the British Chancellor of the Exchequer who described the meeting as "group therapy for finance ministers." President Ronald Reagan

tressed that he and the other six heads of state had had a "comfortable and productive" meeting in Venice which had taken "important steps" in the economic sphere.
"The Summit Seven have

FT/AIBD INTERNATIONAL BOND SERVICE

put the capstone on a new pro-cess for enhanced cooperation and coordination and have agreed jointly to take the policy steps necesary to assure sufficient world growth," the

The credit markets were unimpressed. The meeting did not produce needed initiatives, but none were expected, said Salomon Brothers. Dr Henry Kaufman, who attributes the

improved sentiment in the credit markets to last Friday's credit markets to last Friday's better-than-expected. May producer price figures and somewhat improved trade figures for April. While, all the cautionary words about the dangers of reading too much into one month's data were being spoken, the figures have helped calm fears of a resurgence in US inflation and raised hopes that the long-delayed turn round in the US trade balance may be showing trade balance may be showing

through at last. The mood in the credit markets has also been helped by the new-found stability in the dollar which ended the week at Y143.90 and DM 1.8066, which compares with its low point six weeks ago of under Y139 and around DM 1.7650 The sharp rise in US interest rates in April coupled with substantial central bank intervention has stabilised the US cur-

814

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Expiry data 6/389 20/790 9/991 31/1/91 7/5/92 24/1/89 17/3/89 12/9/91 26/4/90 24/1/91 10/12/90

STRAIGHTS ABN 73, 89 ABN 889 __

rency for the moment. Salomon subordinated capital notes on Brothers says in its latest com-ments on credit that "the cent, or 125 basis points above markets are likely to continue to take encouragement from these developments, although the fundamental long-term trends in both inflation and

trade have not improved much." The improved sentiment in the US Government bond market has been reflected in the corporate debt market, where yields on new issues dropped by more than 10 basis points last week and new issue activity accelecated with First Boston's data showing a 20 per cent increase in new issues of fixed income securities to \$4.48bm last week.

Among the new corporate securities that sold well, according to Smith Barney, were a \$250m offering of 20-year notes for Marriott Corporation, carry-ing a 91 per cent coupon, and a similar-sized 10-year issue for Hoechst Celanese, carrying a 9.45 per cent coupon with a seven-year call feature. latter was priced at par and increased in size while the Marriott offer, which has no early call features, was priced at 99.827 to yield 9.402 per cent.

US banks continue to show a hefty appetite for new capital. Chase Manhattan raised \$275m of 10 per cent 12-year subordinated capital notes at a yield of 10.036 per cent and Chemical New York Corporation issued \$300m of similar maturity paper on a 92 per cent coupon to yield 9.81 per cent. Both banks are rated A3 by Moody's and paid close to 150 basis points above comparable Treasury issues. Sovran Financial, a fast-growing regional banking group mig regional banking group which is less than a quarter of the size of the two New York money centre banks, raised \$100m of 12-year 92 per cent

US TREASURY YIELDS MAY 14,1987 JUNE 11, 1987

the comparable Treasury issue.
The finance companies of the big US car makers were also big US car makers were also active last week, with GMAC raising \$300m of five-year \$5 per cent notes at a yield of 8.7 per cent and Chrysler Financial selling \$516m of five-year securities backed by a pool of car loans. Carrying an 8.3 per cent coupon, the issue was priced to yield 8.49 per cent, or \$2 basis points above comparable US government paper.

The following statistics are due to be released this week, and market expectations were surveyed on Friday by Money Market Services of Redwood City, California.

• Housing starts, due tomor row, are expected to have fallen in May because of higher mort-gage rates and high vacancy levels. The median estimate from 42 analysts is for starts to have dropped from a 1.7m seasonally adjusted annual rate in April to 1.65m last month. Estimates range from 1.6m units to 1.75m units.

 After declining for the previous couple of months industrial production in May, due tomorrow, is expected to have risen 0.4 per cent and the 42 estimates ranging from a rise of 0.8 per cent to a decline of 0.2

The revised gross national production (GNP) data for the first quarter of 1987, due on Wednesday, is expected to show that the US economy grew at an rate in the opening months of this year. Estimates range from a growth rate of 4.2 per cent to 4.8 per cent. This compares with growth rates of 2.8 per cent and 1.1 per cent in the third and

fourth quarters of last year.

Personal income and consumption figures for May, due on Thursday, are expected to show further growth. Personal income is estimated to have risen 0.5 per cent and personal consumption is estimated to have risen 0.2 per cent. The personal income estimates range from a rise of 0.2 per cent to 0.9 per cent and expectations for personal income estimates range from a rise of 0.2 per cent to 0.9 per cent and expectations for personal expectations. cent and expectations for personal consumption range from a decline of 0.2 per cent to a rise of 0.4 per cent.

• Money supply figures for the week ended June 8, due on

Thursday, are forecast to be unchanged with expectations ranging from a drop of \$5bn to an increase of \$4bn.

William Hall

UK GILTS

Looking for crucial foreign inflows

WELL, it is all over. The real opinion poll last Thursday showed Mrs Margaret Thatcher's Government sub-stantially maintaining its lead over the Opposition parties, and the UK government bond market can now properly contemplate its prospects.

Gilt-edged dealers as well as the Bank of England will be holding their breath this week, with the focus firmly on the exchange rate and the incidence (or not) of fresh inflows into British securities after the surprisingly large majority for the Government.

The evidence so far suggests that the gilt market is not a clear one-way bet, although this has to be heavily qualified. The has to be heavily qualified. The election result was so clearly and categorically discounted that profit-taking was an obvious strategy on Thursday night and Friday. There was also a sense of understandable tiredness on Friday after a long night for the inter-dealer brokers, the Bank, and the majority of market makers.

In addition, the first day of the inter-dealer of the inter-dealer brokers, the Bank, and the majority of market makers. Mrs Thatcher's third term coincided with an upward blip in positive action from sterling. Most primary dealers seem pretty confident that foreign inflows will materialise most likely gradually over the next few weeks. Overseas buying is even more crucial than it has been in normal circumstances

been in normal circumstances because of the authorities' policy of capping sterling's strength. After something of a breather during the latter stages of the election campaign, the Bank could again be faced with a strong pound and the dilemma of intervening against it so increasing the need to it, so increasing the need to fund in the gilt market, or cutting base rates. Even on the current state of play, the authorities will be keen to get more funding com-pleted after a hiatus (the bulk

of the 8 per cent 2002/06 tap stock still remains unsold) during the campaign. The authorities will raise close to £1.2bn over the next three weeks through cash calls on markets, limiting the scope for partly paid gilts. Another a rally from current levels. be a revival of issuance in the Eurosterling market — there could be relatively dull in were four issues last week totalling £300m—and now that there are no opinion polls to electoral uncertainty has been look forward to. removed, there could be many

It is the supply burden which is the key factor in the way of substantially lower yields. Another is the reluctance of the Bank of England to allow interest rates to fall too far because of domestic considerations. Consumption looks set to roar ahead with the injection

of cash from mortgage rate cuts, tax cuts et al.

Then there is the "glacier of liquidity." How low do interest rates have to go before the ice starts to melt? To the extent that deposits are held by instithat deposits are held by instithat deposits are held by insti-tutions as part of portfolios, the argument runs that any positive real interest rate should be enough to stop those deposits being liquidated. However, deposits held by individuals in building society accounts and banks could well be cashed in with some of that money poing with some of that money going into consumption. The un-certainty about all this is one Eurefire reason for caution on lowering borrowing costs.

Money market rates already

Money market rates already discount another half point cut in base rates to 8½ per cent, Goldman Sachs says a strategy of turning generally bearish at 8½ per cent gilt yields and generally bullish at 9 per cent may pay good long term dividends. James Capel does not expect the violent swings seen after the 1983 elecswings seen after the 1983 elec-tion and says yields gently trending down and consolidat-ing around 8½ per cent in the year future looks realistic. Greenwell Montagu says yields are not likely to approach 8 per cent unless the Bank of England has to allow base rates to fall significantly below that level to combat flows into ster-

ling.
Mr Michael Hughes of BZW reckons yields will shift only moderately downwards to a range of perhaps 82 per cent to 91 per cent from the current range of 81 per cent to 9 per cent. There should be much more scope for further rises in equity prices. Salomon Brothers' Mr Malcolm Roberts points out that inflation adjusted longer term gilt yields are in line with the average of other major government bond

potential burden on the ster- All in all, after the massive ling fixed interest sector could rise in the market this year al-

Janet Bush

All of these Securities have been sold. This announcement appears as a matter of record only.

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فتستطيخ أ

For Sir Keith Stuart, the chairman at AB Ports, the purchase was a natural conse-quence of its new aggression in the property sector following its takeover last November of GSP. It was a deal which combines, as he puts it, "the entrepreneurial flair of GSP and the finance of AB Ports."

AB Ports, which until 1983 was the nationalised ports operator, wants to build up property earnings so that they account for 50 per cent of group profits. GSP is the chosen instrument to do it.

At first sight, the two could not be more different. AB Ports is used to a steady cash flow from 19 ports with staff scattered around the country. GSP, with a mere 22 people, is like most property developers, lean and accustomed to a world of lumpy profits. But they needed each other.

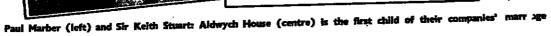
When AB Ports when AB Forts was privatised four years ago it had 7,000 acres of land, of which 2,500 acres were, or would soon become, available for redevelopment. It had no experience of the property world—indeed it had not been permitted to use its land for anything other than

port purposes. It started to come to terms with this massive land asset by starting joint ventures — AB Ports would put in the land, a developer would put in the expersise: Tarmac at Cardiff, Rosehaugh at Southampton and so on. But it was "development

passive," says Sir Keith. What had been done was worthy and useful, "but it could not be the right long-term answer to the way we develop the company," asserts Sir Keith. So the search started for a

ready-made development company. It had to have a track record. It had to nave a pro-perty portfolio which slotted in with that of AB Ports so that the overall group would have a better balance. And the acquisition had to be an agreed one — "we were not interested in a hostile contested bid that would have been counterproductive," says Sir Keith.
On the other hand, GSP had
been worrying about expanding
its capital base. "In relation to the development programme-£100m—the company was too small," recalls Paul Marber, the chairman. It had become in-creasingly concerned about the general increase in bank bor-





mix of flair and finance

One company, AB Ports, had the assets. The other, Grosvenor Square Properties, had development experience. Paul Cheseright examines how they are exploiting their assets

rowing attached to property projects rather than property companies.

When the approach came from AB Ports, "it struck a sympathetic note," he says. AB Ports had enormous land resources. It was a substantial group with low borrowings and

group with low borrowings and it wanted to expand. Further, it was not a property company—less danger, therefore, of personality clashes.

So the two came together in a £14.9m AB Ports agreed takeover. And now they have started to try and make the marriage work.

marriage work.
Essentially, the locking together has come at the top.
Marber has joined the AB Ports

Ports revamp

NET PROPERTY income at

AB Ports has been building up—£5.5m in 1985 and £6.4m

in 1986. But the scale of the ambition to build up property

income to the same level as that for the port activities is considerable. The operating profits from port services were £20.3m last year and that was after taking out

£3.7m for voluntary severance

now finished

with its own structure, salary systems and so on," says Sir

management style " The Essentially, the locking together has come at the top.
Marber has joined the AB Ports
main board. Two AB Ports

The group's expansion of its property interests is a

natural consequence of the fact that work on revamping the ports has by and large been finished and that recovery from the coal dispute

and the dock strikes of 1984 is complete. The least sung of the privatised groups, the market capitalisation of AB Ports has multiplied around

tenfold since 1983. Its landholdings are based

on 19 ports, of which only Southampton is in the area most favoured by the property

developers—the South East.

AB Ports, for a start, is a long-standing estates manager, with a team long experienced at col-lecting the rents around the ports. GSP will have nothing

GROSVENOR SQUARE PRO-

PERTIES had net assets of £6.7m when it was taken over

by AB Ports. Its development

programme, once completed, would have a value of £100m.

It brought to AB Ports some
25 property projects including an office building in the
City of London, the refurbishment of the London Pavilion
in Piccadilly Circus, a new

entertainment complex for

Property

portfolio

directors have gone on the board of GSP. But AB Ports Holdings already had its own property subsidiary, ABP Properties. So two GSP directors went on that board too.

The key fact to emerge was that GSP would be held on a loose rein. "It would not be a good thing to wipe away the separate identity of GSP. Rather the opposite. We want to promote the esprit of GSP. So we're keeping it as a subsidiary, with its own structure, salary with its own structure.

expanding the portfolio. And that is where the purchase of Aldwych House came in. GSP, though, has been putting

ports. GSP will have nothing to do with that.

"There's a difference between operational land and surplus to a point where a decision can

Madame Tussaud's and a small

speciality shopping centre in Bath. Just the sort of pro-perty ventures, in fact, that AB Ports did not have. Its profits were dictated by the way in which its projects came on stream, so it had a loss of £78.000 in the year to March 1986 following a pre-tax profit of £1.06m for the

previous year. The company was floated on the USM in 1984. The £14.9m AB Ports paid to acquire it was about 20 per cent more than its market capitalisation.

be made on how to implement it. "In the main we expect to carry them out ourselves." Marber says, noting, however. that the company had not been expert in residential or leisure development. So joint ventures will be used

in the future when there is a need for specialist company in volvement. Where residential development is part of a scheme. a housebuilder would be brought in—similarly with marinas, where AB Ports will be seeking to capitalise on the values that stem from any waterfront development.

waterfront development.

The main corporate vehicle
will be ABP Properties, which
will be "something of a clearing house, to identify the opportunities," says Sir Keith. But these opportunities are

broadly conceived. "The type of development we'd feel most at home with would be offices, where GSP has experience, rewhere GSP has experience, retail certainly, leisure and maritime obviously," he says.

None of this stops GSP carrying on with the activities it had
followed as an independent
company. Sir Kelth made clear
that GSP will be operating

within liberal constraints. In-deed, in May, GSP bought an industrial site at Epsom in Surrey where it intends to construct nine industrial-wareousing units.
The location is important

It points to one of the attractions of marriage from the AB Ports point of view. The portfolio of GSP properties The portfolio of GSP properties has given the group a foothold it did not have before in the south-east of the country.

In some respects, GSP will be able to operate more flexibly the state of the country.

than when it was independent. At the end of 1986 AB Ports had nil gearing. It is emin-ently credit-worthy and has the size to negotiate the keenest of financing terms. GSP should find access to capital easier and cheaper.

The way developments are financed will influence the investment posture of the group. "This will take time to evolve," concedes Marier. Here the decisions are basically whether to hold a property or sell it, a wholly new game for AB Ports as a group. In the past GSP has tended to sell on Now there is a choice. If a Now there is a choice. If a property is held the level of immediate profits is reduced—that affects stock market sentiment but it allows the creation of a revenue stream.

America s economic future, for a number of reasons:

In today's global economy, the ideas dreamt up by US entrepreneurs travel easily. Foreign competitors often have no difficulty appropriating new admiring.

In the case of Aldwych House, AB Ports has bought to hold because the revenue stream can be made to flow more strongly as rent reviews increase the income. The purchase was evidence that the group is changing gear.

Why the American dream is obsolete

Michael Skapinker on the demolition of a myth

and rose to become president of Ford. When he was fired, he rescued Chrysler from bankruptcy and wrote a best-selling autobiography telling Henry Ford II to get lost.

A classic story of the triumph of the American autoproper

of the American entrepreneurial spirit? No, an outmoded myth, says one academic — a

myth, says one academic — a myth which endangers the future of the US economy.

Robert Reich of the John F. Kennedy School of Government at Harvard University notes that admiration for the American entrepreneurial hero is as old as the country itself. old as the country itself.

"We like to see ourselves as born mavericks and fixers," he writes in the latest issue of the

Harvard Business Reviews.
"Our entrepreneurial drive has long been our distinguishing trait. In a world of naysayers and traditionalists, the American character has always stood out — cheerfully optimistic, willing to run risks, ready to

willing to rin risks, ready to try asything.

"Stories of entrepreneurial heroism come from across the country: professors who create whole new industries and become instant millionaires; restricted engineers who quit youthful engineers who quit their jobs, strike out on their own, and strike it rich. In the American economic mythology, these heroes occupy centre stage. Prosperity for all stage. Prosperity for all depends on the entrepreneurial vision of a few rugged indivi-duals."

duals."
There is only one problem with this vision: it is obsolete.
"The economy it describes no longer exists. By clinging to the myth, we subscribe to an outmoded view of how to win economic success," Reich says. Moreover, he adds, this outmoded view endangers America's economic future, for

American concepts, adapting, improving and using them. ● The machines that Americans use to execute their ideas are equally footloose. Process technology moves around the globe in search of the cheapest labour

and the friendliest markets.

IN AMERICA you can be anything you want, Lee Iacocca's tors, notably Japan, have suctoring an tacocca worked hard and rose to become president of and rose to become president of Ford. When he was fired, he and sales people work together, eliminating the old distinction

eliminating the old distinction between entrepreneurs and ordinary employees.
In terms remarkably similar to those used by observers of British industry, Reich notes that "Americans continue to lead the world in breakthroughs and cutting-edge scientific discoveries. But the big ideas that start in this country now quickly travel abroad, where they not only get produced at quickly travel acroad, where they not only get produced at high speed, at low cost, and with great efficiency, but also undergo continuous develop-ment and improvement. And all nent and the too often, American companies get bogged down somewhere between invention and produc-

tion."
Americans face two choices, he says. Either they can attempt to match the low wages and high discipline prevailing and high countries or they can in other countries, or they can compete on the basis of how quickly and well they transform their ideas into products. Only the second option is at all realistic, he says. The catch is that the US cannot rely on lone that the US cannot rely on lone entrepreneurs to achieve it.
So what should America do? The answer can already be found in the workings of the country's most successful companies, which practice collective, rather than individual entrepreneurship. In these companies, salespeople undercompanies, salespeople understand what designers and engineers are capable of Ver-

SB

engineers are chroken tical hierarchies are broken down and employees are encouraged to innovate rather than follow the rules.

These companies exist, but the companies exist, but their stories do not generally capture the public imagination. The bookshops are still full of volumes paying homage to the American chief executive. "We will need to look for and pro-mote new kinds of stories. We mote new kinds of stories. We need to look for opportunities to tell stories about American business from the perspective of all the workers who make up the team, rather than solely from the perspective of top managers. The stories are there—we need only change our focus, alter our frame of reference to find them."

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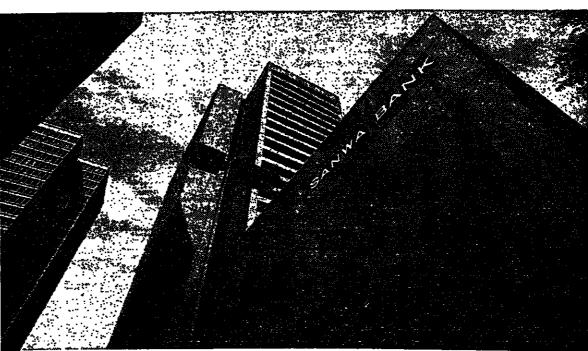
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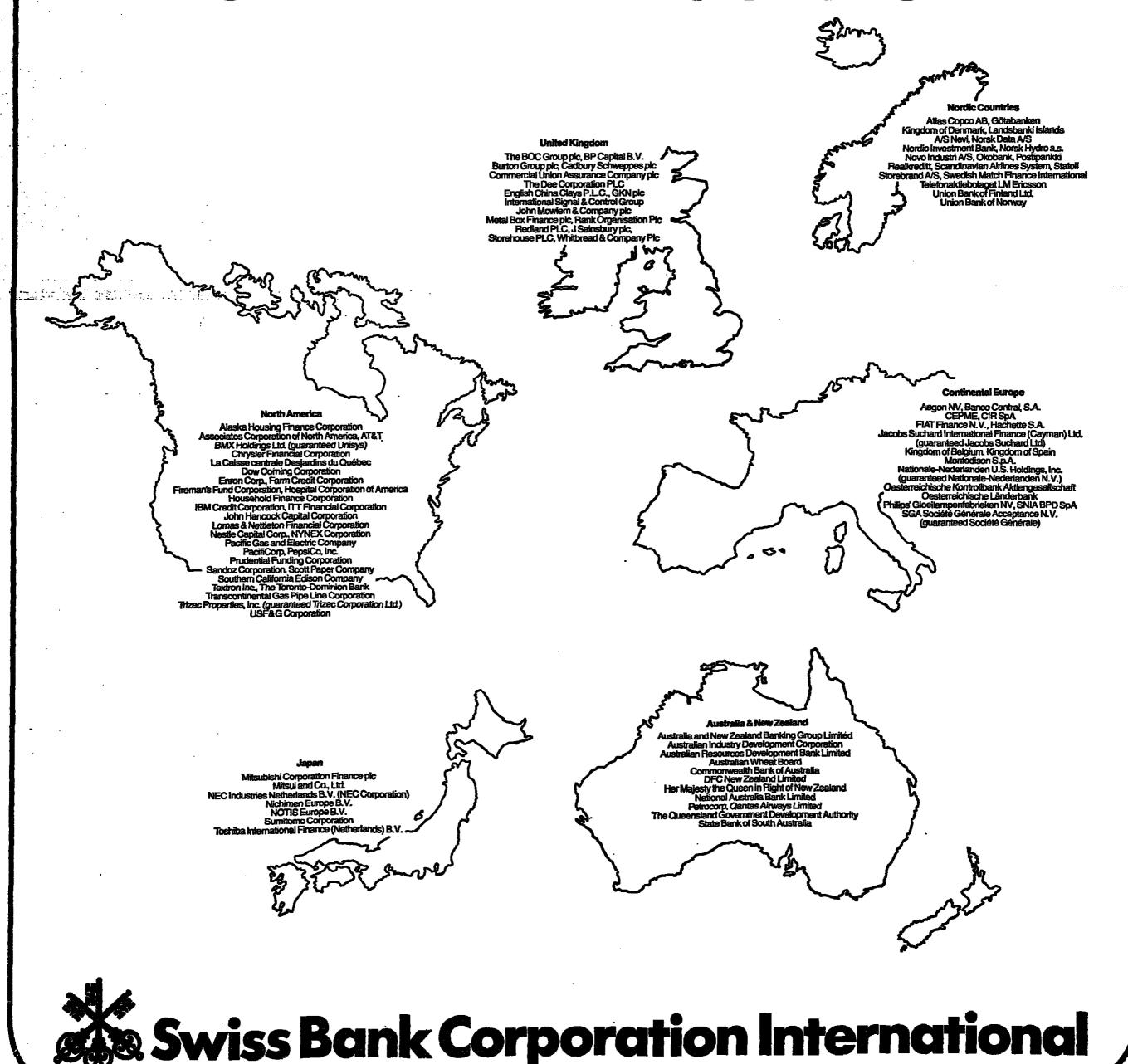
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David Thomas on the takeover struggle between Apricot and Wordplex

The two visions finely balanced

tion Systems, are locked in a But his main task was to come takeover struggle, whose outcome should become clearer today.

But his main task was to come up with the finance and the strategy which would give Wordplex a secure future.

Wordplex shareholders are due to vote on the re-financing package put together by the company before Apricot launched its £14m hostile bid for the company last week.

At stake is the future of Wordplex, the Slough-based text processing company, once considered one of Britain's brighter high tech hopes, but whose performance has varied

from the lacklustre to the disastrous since it received a full listing in 1984.

The Wordplex story is a familiar one among many of the UK's smaller electronics companies—of ambitions outstrip-ping resources. In 1985 the company piled up overheads, not just in the UK but in expensive overseas markets like the US, in anticipation of sales

of its new flagship product, the 8000 text-processor—sales of which were slow to materialise.

Pre-tax profits of £2.24m on sales of £42.78m in 1984 turned into lease of £3.19m on sales Pre-tax profits of £2.24m on sales of £42.78m in 1934 turned into losses of £3.19m on sales of £44.53m the next year. Debts pilled up to the point where it now boasts 270 per cent gearing. The old management was swept away, replaced by a new strategy. This would centre on building up its revenues from the higher margin services and maintented as stopping the company from Dr Bristow and Wordnley will as stopping the company from Dr Bristow and Wordplex will

going under.

Mr John Heywood, who The Apricot bid for Wordpiex moved in as executive chair- is a clear signal from its

butor, yesterday announced a £2.9m placing for cash with a

Monks will issue 1.98m new

shares at 151p. These have all been conditionally placed with clients of Albert Sharp, the stockbrokers, but existing share-holders can subscribe for any

for existing shareholders.

BY DAVID WALLER

Monks & Crane placing

Monks & Crane, the USM- of shareholders' funds, and to listed engineering tool distri- finance acquisitions.

100 per cent clawback facility the effect of broadening the

been conditionally placed with clients of Albert Sharp, the stockbrokers, but existing share-holders can subscribe for any number of new shares up to a maximum of three new shares per cent.

SUMIT plc, who togeher own 36.7 per cent of the undiluted equity, will not be taking up their rights, thereby reducing their holding to a total of 17.6 per cent.

at £2.1m amounts to 77 per cent turnover of £28.6m.

TWO OF the more spectacular man, set about cutting stocks casualties of Britain's mid-1980s and debts to the point where high tech slump, Apricot Comthe company may break even puters and Wordplex Informa- at the pre-tax level this year.

Last month, Mr Heywood announced the result of his year-long search for a solution; a £12.3m financing package which would bring gearing down to 60 per cent at most, after allowing for some pruning of the company some pruning. of the company still to be carried out, he says.

A placing of shares, arranged by Close Investment Management, would raise £3.6m; an 11-for-10 rights issue would contribute a further £5.7m; and there would be revised banking facilities including subscription to £3m preference

shares. He also unveiled a new management team provided by management team provided by Octagon Industries, a management services concern specialising in the information technology field. Octagon draws on a network of senior executives, many of whom have important technology. pressive track records in high tech industries.

first have to fight off Apricot. The Apricot bid for Wordpiex

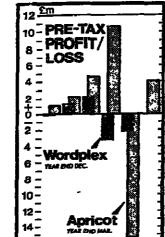
The placing would also have

company's shareholder base, Mr

Juggins said. To this end, the

directors of the company and

Monks' management bought



management that it believes its troubes are behind it. Ultra-competitive conditions in the personal computer market forced a change of tack on the Birmingham - based computer company early last year after its profits had taken a dive.

1982 83 84 85 86 87

It abandoned its low end personal computer range, launched a new, more upmarket IBM-compatible line and said it wanted to concentrate more on computer services and systems, and less on shifting boxes.

Last week, Apricot reported a return to profits for the year ended March 31 1987—£4.04m on sales of £71.16m, compared

Bonser, a privately-owned Mid-lands discasting company, for

It also proposed a one-for-three underwritten rights issue

to raise £1.1m net through the issue of 660,000 ordinary shares

at 190p each. It existing shares

closed at 205p, unchanged on the day.

core company's earlier down- Steelfab.

turn in activity were not yet £31.495.

Whittington underwent

up to £2.6m.

chief executive, knows what he wants with Wordplex: its impressive customer base in the finance sector, law firms and public authorities who use its top-end word processing machines. These are backed by a large direct sales force and a profitable maintenance opera-

Acquiring Wordplex's sales force and customer base would help Apricot push its products into larger companies: its strength at present is in small-to medium-sized companies. Its ultimate aim would be to make all its products available to Wordplex Customers though it Wordplex customers, though it would probably start by offering its desktop publishing system.

Apricot is less interested in Wordplex's products as such, though it insists it will maintain the range as long as customers want them. It would complete Wordplex's with-drawal from ess-making activities abroad and would consider merging the manufacturing at Slough with manufacturing in Scotland.

Apricot's bid — 18 Apricot shares for every 10 Wordplex or a cash alternative of 130p—forced a revision to the Wordplex refinancing package last

Wordplex shareholders are now being offered a 14.5-for 10 rights issue and would be able to retain 87.5 per cent of the with losses of £15,38m on sales equity, against 75 per cent of £90,56m the previous year. under the original package. The

The Bonser vendors will re-

ceive an initial £650,000 in the

form of Whittington shares, half of which they will realise in cash through a vendor placing. Up to £1.95m more will be payable in cash if Bon-

ser meets certain profit levels

over the next three-and-a-half

Consideration was

Whittington Eng. purchase

Whittington Engineering, a evident in trading performance, Chesterfield-based metal fabribut it viewed the future with cator, said it was to buy J. W. confidence.

change of management last
November after several years ADWEST GROUP has disposed

of stagnant profits. The new of the entire share capital of management said on Friday Steelfab to Mr Eric Moore and

management said on Friday Steelfab to Mr Eric Moore and that steps taken to reverse the Mr Leonard Reece, directors of

Analysts are expecting profits of about £6m this year which would trigger the right to exercise share options by chief executive, knows what he been strengthened,

Mr Mike Whitaker, analyst at chase Securities, which is advising clients holding about 20 per cent of Wordplex but which does not hold any Wordplex shares itself, is still backing the Apricot bid. But he adds: "since Wordplex and Octagon have changed the terms, it's become a much closer deci-

Other analysts also think key elements in the two visions of Wordplex's future are finely balanced. A County NatWest circular last week said: "There is little to choose between the newly installed Octagon management and Application that is their contents." newly installed Octagon management and Apricot—in their different ways both are good and should make a reasonable job of turning Wordplex round."

However, majority opinion among analysts is that Word-plex's shareholders will plump for the take-over: "Apricot's cash offer offers an easy exit for a number of shareholders who've been in Wordplex for a while and are not pleased.
Apricot paper still looks risky,
but it offers better expected
returns," according to Mr Bruco McInroy, analyst at Hoare Govett.

Even so, the Wordplex-Octagon camp says the response from institutional shareholders has left it confident of winning. Whether that confidence is justified should be clear by the end of today.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not evaluable as to whether the dividends are interims or finals and the subdivisions shown below are beard meinly on last year's timetables.

mainly on last year's timetables.

TODAY
Interims: Blick, City Site Estates.
Finals: Airken Huma, Alexon, Apricot
Computers, Chamberlain Phipps,
Dominion International, Erskina House,
Freshbake Foods, Harmony Leisure,
Harrison Industries, Hunting Group,
Hunting Petroleum Services, Southwest
Resources, Starling Publishing,
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Mitchell Cotts hits back at £74m bid

By Nikki Tait

MITCHELL COTTS. engineering, chemicals and trading company, has hit back at the £74m paper-only offer from acquisitive industrial holding group, Suter, describ-ing this as "inadequate and unrealistic" and criticising the lack of a cash alternative.

However, Suter said yesterday it was not impressed, and pointed to the absence of any profit forecast.

Yesterday, Mr Roderick Paul, chief executive of Mitchell Cotts, said that no forecast had been made yet because "we started off with Mr Abell (Suter's chairman) bidding blind." He added that a forecast was being prepared.

MC argues that since the end of 1985, it has "under-gone a fundemental change in both its management structure and corporate strategy.

It points to the reduction in overseas exposure par-ticularly South African and stresses "an accelerated dis-posals programme"—activities are concentrated on speciality chemicals, engineering products, transporta-tion and specialist engineering consultancy.

"It is no use Suter assuming that it can sort out MC's foreign operations by selling them most quicqly. Certain of foreign assets are vital for MC's core businesses and should not be sold."

The defence document has the backing of the board, other than Mr Tony Alcock, the finance director, who is currently discussing terms on which he might leave the group following a "person-ality clash." Mr Paul yester-day refused to elaborate on the reasons behind that. MC last week extended

four directors' service con-tracts by one year to June 1990 — part of the normal annual review in which the three-year contracts are rolled forward one year, according to Mr Paul. Suter's three-for-10 terms

value Mitchell Cotts' shares at 78p against 691p in the market; its offer reaches the first close next Saturday.

Law firm cited in T & N damages case

BY TERRY POYEY

cial adviser to AE in its defence against a hostile £280m bid from Turner & Newall—a hard fought battle that stretched over five months to mid-Decem-

Clifford Turner, the law firm which acted as legal advisers to Hill Samuel in the course of this bid, was recently joined as a third-party defendant by the merchant bank in a court case arising from this controversial

In January, T&N announced that it was pursuing a hefty damages claim—estimates range up to £40m—against Hill Samuel. Cazenove and AE. Some time later T&N dropped its claim against AE.

oy Hill Samuel in the court action in which the merchant bank, along with stockbroker Cazenove, faces a damages claim that could total £40m.

Hill Samuel acted on cial advisor.

dent in the case. Clifford Tur-ner has informed its insurers that up to £40m of its professional indemnity cover is now

at risk. T&N finally won control of AE in early December.

In one of its most toughly worded judgments, the appeals committee of the Takeover Panel censored Hill Samuel and Cazenove for their roles in an indemnity arrangement and for not declaring share purchases by friendly parties.

FT Share Information up to £40m—against Hill
Samuel. Cazenove and AE.

However, T&N's case against the bank and the broker is proceeding. Recently Hill Samuel, which denies it acted illegally and is vigorously contesting the T&N damages claim, brought Clifford Turner into the case, citing the lawyers as a third-party defendant.

In the event that the court finds against Hill Samuel, the bank bas, now that it has cited the lawyers as a third party,

In the lawyers as a third party,

AFRICATION SECURITION SECURITION SHOP THE FINISHED IN THE FOLIANT SHOP THE FINISHED IN THE FOLIANT SHOP THE FINISHED IN THE FOLIANT SHOP THE FINISHED IN THE FINISHED IN THE FOLIANT SHOP THE FINISHED IN TH the lawyers as a third party, Africa (Overseas Traders).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus ") have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Date	_ment last year	- Date	ment last
Argyll GroupJune 25 3°8June 25	Final 5.1 Final 6.5	*Meyer IntlJune 16. *Northern	Final 3.8
3ETJuly 17	Final 12 D	FoodsJune 18	Final 3.75
37June 18	Final 4.5	*Racal	111101 0110
Birmid QuefcastJuly 1	Interim 1.25	ElectronicsJune 23	Final 2.268
British GasJune 17	Final due	Renk	
Cable and		OrganisationJuly 17	Interim 6.25
WirelessJune 24	Final 6.0	Rothmans Intl June 24	Final 4.5
Charter CnsJune 25	Final 7.75	Rothschild	
DixonsJuly 16	Final due	(J.)July 1	Final 12.8
emantiJuly 1	Final 1.15	Scot and Newcati	
reycoetJune 25	Finel 1.25	BreweriesJuly 1	Final 4.82
SuinnessJune 16	interim 2.24	*TSBJune 25	Interim due
Hogg		Thorn EMIJuly 10	Finel 12.5
RobinsonJuly 8	Final 5.23 🔍	*Trusthouse	
Johnson	- ·	ForteJune 25	Interim 1.33
MartheyJune 18	Final 2.0		
Cudon intiiona 19	Finer 3.1	* Bosrd meeting intime	eted Tiligh
Magnet and		issue since made. ‡ Tar	
SouthernsJune 17	Final 3.2	issue since made. 1 For	recast.

Mr John Juggins, Monks' the company from Thorn EMI finance director, said yesterday in 1983 and joined the USM in that the money raised would be December 1985. It made £2.01m used to cut borrowings, which pre-tax profits in 1986-87 on

for every 20 held.

These Bonds have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States of America or to nationals or residents thereof. These Bonds having been sold, this announcement appears as a matter of record only.

Anchor Internat

A \$125,000,000

93/4% Subordinated Convertible Bonds Due 1997

Mount Isa Finance N.V.

(Incorporated with limited liability in the Netherlands Antilles)

93/4% Subordinated Bonds Due 1997 unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds issued by, and with conversion rights into ordinary shares of,



M.I.M. Holdings Limited (Incorporated with limited liability in the State of Queensland)

Credit Suisse First Boston Limited

Union Bank of Switzerland (Securities) Limited

S. G. Warburg Securities

Algemene Bank Nederland N.V.

ANZ Merchant Bank Limited

Banque Bruxelles Lambert S.A.

Banque Indosuez

Cazenove & Co.

Chemical Bank International Group

Commerzbank Aktiengesellschaft

Deutsche Bank Capital Markets Limited

Orion Royal Bank Limited

Daiwa Europe Limited

Morgan Stanley International

Merrill Lynch Capital Markets

Swiss Bank Corporation International Limited

Wood Gundy Inc.

U.S. \$125,000,000

61/2% Subordinated Convertible Bonds Due 1997

Mount Isa Finance N.V.

(Incorporated with limited liability in the Netherlands Antilles)

6½% Subordinated Bonds Due 1997 unconditionally guaranteed on a subordinated basis by, with non-detachable subordinated conversion bonds issued by, and with conversion rights into ordinary shares of.



M.I.M. Holdings Limited

Credit Suisse First Boston Limited

Commerzbank Aktiengesellschaft

Deutsche Bank Capital Markets Limited

Morgan Stanley International

Union Bank of Switzerland (Securities) Limited

Cazenove & Co.

EBC Amro Bank Limited

Kidder, Peabody International Limited

Manufacturers Hanover Limited

Kredietbank International Group

Nesbitt Thomson Limited

Salomon Brothers International Limited

Swiss Bank Corporation International Limited

Société Générale

Wood Gundy Inc.

Westpac Banking Corporation

S. G. Warburg Securities

Yamaichi International (Europe) Limited

UK COMPANY NEWS

Nikki Tait looks at the pressures on the underwriting commission structure

Hardliners' case still holds sway

FIRST, brokers' commissions, achieved on smaller bid-Now underwriting fees? achieved issues.

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institutions will get more than the traditional rate if the bid succeeds and the cash call goes ahead; if the offer fails, they get a much lower rate for doing nothing.

The deal is innovative—the first rights issue which has the tribus could fairly claim that they were being paid for

The deal is innovative — the first rights issue which has departed from tradition on this scale. But it comes in the wake of other developments. Privatisation issues have already broken the mould on flotation costs. Other alternative structures have been from 30 years ago, when institutions could fairly claim that they were being paid for earling the urivate shareholder risk. Today, institutions own 75 per cent of the equity market and the issuing bank may well reserve one-quater to one-third native structures have been of the issue for itself, effectively.

£000°s 5,422

1.500

1.882

53.091

42,000

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SPONSORED SECURITIES

 Unlike Holdings
 (SE)
 111
 + 6
 2.8
 2.5
 20.4

 Waher Alexander
 162
 + 5
 5.0
 3.1
 15.5

 W. S. Yestes
 195xd
 17.4
 8.9
 18.6

 West Yorks Ind. Hosp. (USM)
 108
 1
 5.5
 5.2
 11.3

Carborundum Ordinary 145xdc + 1

Company

related issues.

To suggest that the City revolution is leaving none of the most forth revolution is leaving none of the sacred cows untouched would be pushing the point.

But pressures on the deeplyingrained commission structure—whereby institutional investors agree to pick up unwanted shares in new equily issues for a certain rate—are in evidence.

Last week, WPP—as part of its audacious \$460m bid for JWT Group—introduced a two-tier sub-underwriting commission structure on its conditional fil77m rights issue. The institutions will get more than the traditional rate if the bid sub-understructure of the first 30 days and into the most forth right institutions, M & G, recently offered to do a suit-selves to take up equity?", argues M&G.

As far as underwriting fees on the first two types of issue are concerned, modest inroads into the standard 1.25 per cent have already been made.

The spectacular success of privatisation, coupled with political pressures against feeding avarious mouths in the City. In the event, it was the TSB (not strictly a privatisation) the total underwriting rate to 1.175 per cent have already been made.

The spectacular success of privatisation, coupled with political pressures against feeding avarious mouths in the City. In the event, it was the TSB (not strictly a privatisation) the event, it was the TSB (not strictly a privatisation) the couple with political pressures against feeding avarious mouths in the city. In the event, it was the TSB (not strictly a privatisation) the couple with political pressures against feeding avarious mouths in the City. In the event, it was the TSB (not strictly a privatisation) the couple with political pressures against feeding avarious mouths in the City. In the proper was for the first two types of itsue are concerned, modest into the standard 1.25 per cent have already been made.

The spectacular success of privatisation, coupled with political pressures against feeding avarious mouths in the City. In the proper was for sale.

Price on week div.(p) %
180 — 7.3 4.8

4.3

12.6

5.4 3.7

6.8 5.1

Granville Davies Coleman Limited 27 Lovat Lane, London EC3R SDT Telephone 01-621 1212 Member of the Stock Exchange

But that remains something of an exception: although underwriting rates have been pared back, the sub-underwrit-ing terms on the likes of Rolls-Royce and British Airways have remained at 1.25 per cent—at least on the provisional placing and commitment shares, which are the ones the institutions are not guaranteed to receive.

The extension of non-stan-dard rates into bid financing is also gaining credence. WPP's brokers, Panmure Gordon, tackled the not-inconsiderable problem of sub-underwriting a £17m issue for a company with a £130m market capitalisation and which was planning to create a merged group with an asset deficiency of £59m, by assembling four institutions— Warburg Investment Management, the Pru, Commercial Union and Globe Investment Trust — who together agreed to take around 15 per cent of the potential issue.

The remainder was then spread amongst some 200-250 clients. There was, claims Mr dale's unsuccessful complaints is actually proved.

tively taking on the private investor element.

"Why should we pay ourselves to take up equity?", argues M&G.

As far as underwriting fees on the first two types of issue are concerned, modest inroads into the standard 1.25 per cent have already been made.

Pat O'Reilly, Panmure's head to Norton Opax over the Kuwait Investment Office's dual role.

Where underwriting costs have remained largely inviolate is on conventional rights issues —non-bid1 related variety. "The interester if it succeeds — make us very firm here," admits Panmure. "They must have helped."

The adventures to WED are the Kuwait investment Office's dual role.

Where underwriting costs have remained largely inviolate is on conventional rights issues —non-bid1 related variety. "The interest of it succeeds — make us very aware of what they require."

The advantages to WPP are considerable. It can afford to make such a cheeky bid which, make such a cheeky bid which, if pursued, may run on for months, without worrying unduly that bid costs will clobber profits should its offer finally fail. The company has a near-5 per cent stake in JWT, which is showing a \$10m profit—and that should certainly foot a losing underwriting bill. underwriting rate to 1.175 per cent, out of which the sub-underwriters got just 0.75 per a losing underwriting bill.

sub-underwriting WPP's arrangements are the first on this scale, but they are not entirely unique. Samuel Montagu, introduced a two-tier structure for a limited number of 'core underwriters' last year when its client, Argyll, put together financing arrange-ments in its £2.3bn Distillers bid. That route was then fol-lowed b ya number of other predators, includings Norton

In a much smaller league, Panmure points to the recent £16m Sunleigh-Dale Electric bid. Here the sub-underwriting bid. Here the sub-underwriting structure was similar to WPP's, with the losing rate pruned to i per cent and 3 per cent offered for success (though 2; per cent actually achieved). Sunleigh, too, was minnow with big ideas. "This allows small companies to bid for bigger ones," points out Mr O'Reilly.

The sub-underwriting to ventional cash-raising front, there has been some movement. For example, Hillsdown Holdings, which made a £154m placing for cash—not related to any specific bid—last October, managed to prune sub-underwriting costs on those shares where directors guaranteed not to claw back to i per cent.

The snag, as institutions are amply aware, is that this per-missive financing can give them a vested interest in a bid's success—witness McCorquo-

is on conventional rights issues
—non-bidl related variety. "The
institutions are still very firm
here," admits Panmure. "They
make us very aware of what
they require."

But Mr Tucker's suggestion has not fallen entirely on deaf ears. "My initial response is that this would be worth thinking about," remarks Mr John Maclachlan, chairman of the National Association of Pension Fund's investment committee The Pru, too, has indicated that it sees some merit in discussing M & G's proposals.

Hardliners argue that com-panies contemplating rights issues will vary the discount— the level below the market price at which the shares are issued —according tothe riskiness of the issue. Moreover, they point out that discounts, since Big Bang, have generally narrowed.

Those really wishing to avoid underwriting costs are directed towards 'deep discount' issues, where the risk of failure is non-existent and no underwriting is done — a path followed by the Pru and NatWest recently.

And, on the slightly less conventional cash-raising front, there has been some movement.

But for all the pressures, the hardliners' case still holds general sway. And in many investors' minds, it will con-tinue to do so until Mr Tucker's

Amal. Financial stake moves

BY PHILIP COGGAN

Shares in Amalgamated Fin- Tee's business interests, took a ancial Investments rose 10p to 22 per cent stake, introduced 44p on Friday after news that Mr Richard Wollenberg and ana 22 per cent stake in the company had been bought by a
Swiss-based company, Trade
Administration.

Amalgamated is an investment holding company formed is unclear whether this is just when Jersey-based Dove Holdings reversed into Amalgamated empires Supported into Amalgamated into Amalgamat

ings reversed into Amalgamated Tin Mines of Nigeria in 1982. In October last year, HDFI, connected with Mr Lee Ming an Australian financial group Tee, has an 11.6 per cent stake which is one of Mr Lee Ming in Amalgamated.

Somic ahead

and weaver, lifted pre-tax profits from £99,131 to £131,544 on turnover virtually unchanged at £3.29m (£3.28m) in the year to March 31, 1987.

empire. Sunmark Corporation, which brokers believe is also

earnings worked through up from 3.532p at 4.136p.

New Issue

Somic, a kraft paper spinner

However, the directors said that the failure of the company's Baronet Motor Acces sories subsidiary to meet its turnover and profits targets had been a major disappointment. In the six months to September 30 last year Somic profits fell from £53,362 to £10,692, a drop which the company at the time blamed on Baronet's losses.

Profits in the second half rose from 546,500 to £120,852. They proposed an unchanged final dividend of 1.5p, making an unchanged total of 2p for the

特別企画

"JAPANESE MANAGEMENT SERIES"

FOCUS ON INTERNATIONALISATION. OF JAPANESE MANAGEMENT

The Financial Times has, over the last five weeks, carried a series of advertisements entitled "Focus on Internationalisation of Japanese Man-

The series of interviews with top Japanese executives clearly showed the style of management which Japanese companies are operating today. How these companies stay competitive and profitable and face up to the pressure from outside Japan by using their own methods of trading, financing and marketing are among the findings of these interviews.

Companies appearing in the series:-

15th Daiwa Securities Co Ltd

May 18th Hitachi Ltd May 5th Marubeni Corporation 7th Chno Trust & Banking Co Ltd 20th Komishiroku Photo Co Ltd 8th Nikko Securities Co Ltd 26th Canon Inc 27th C Hoh & Co Ltd 11th New Japan Securities Co Ltd . 28th Yamaichi Securities Co Ltd 12th Brother Industries Ltd 13th Komatsu Ltd 29th Seiko Epson Corporation 14th Casio Computer Co Ltd June 5th Nommra Securities Co Ltd 9th Industrial Bank of Japan Ltd

A limited number of reprints sets of these interviews will be available to readers upon written request to:

Overseas Advertisement Department Financial Times Ltd, Bracken House, 10 Cannon St., London EC4P 4BY

FINANCIAL TIMES EUROPES BUSINESS NEWSPAPER

LONDON - FRANKFURT - NEW YORK

GMAC 7k3. Aust Brahed Contiller Series 1986 East-A passes machine Contificates will be a bottom, hased on the persidention. Acceptance Corporation. The dis-prigion) US\$10,000 p.m. of Certificates 16 follows:

(a) Distribution remeasuring principal ... US\$215.96
(b) Distribution representing the principal and t (a) Unit reaction [1582] 5.06
(b) Distribution representing interest. US\$6,26
(c) Distribution representing interest. US\$6,26
(d) Silver Silve .7969345 ---- 119811.011.008.55 MORGAN GUARANTY TRUST COMPANY
AS NEW YORK, Bridge

Up to U.S. \$100,000,000 THE SOCIETY FOR SAVINGS

Collateralized Floating Rate Notes Due 1991 of which U.S. \$50,000,000 is the Initial Tranche and U.S. \$25,000,000 is the 1st Subsequent Tranche

Notice is hereby given that the Rate of Interest has been fixed at 76875% p.a. and that the interest payable on the relevant Interest Payment Date, December 15, 1987 against Coupon No.2 in respect of U.S.\$25,000 nominal of the Notes will be U.S.\$976-95.

June 15, 1987, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

June 2, 1987

FINANCIAL TIMES STOCK INDICES

	June 12	June 11	Jane 10	-lane 9.	June 8	June 5	19 High	E7 Low	Since Co High	mpilation Low
Government Secs	92.70	92.64	92.70	92.75	92.13	92.15	93.32	84.49	127.4	49.18
Fixed Interest	98.79	98.84	98.42	98.31	97.95	98.01	98.84	90.23	150.4	50.53
Ordinary	1767.9	1740.8	1752.2	1761.3	1727.2	1727.9	1767.9	1320.2	1767.9	49.4
Gold Mines	409.3	399.2	398.8	388.7	395.5	398.3	485.0	288.2	734.7	43.5
FT-Act All Share	1138.39	1119.63	1121.81	3124.99	1109.39	1109.93	1138.39	835.48	1138.39	61.92
FT-SE 100	2289.5	2249.3	2256.1	2265.2	2228.4	2228.8	2289.5	1674.5	2289.5	986.9
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Mortgage Funding Corporation PLC

£150,000,000

Revolving Multiple Option Facility with Tender Panel

Arranged by

Samuel Montagu & Co. Limited

Lead Managers

Samuel Montagu & Co. Limited Crédit Lyonnais Kleinwort Benson Limited

Co-lead Managers

Managers

Commerzbank Aktiengesellschaft London Branch

Deutsche Bank Aktiengesellschaft

London Branch

The Tokai Bank, Limited

The Sumitomo Bank, Limited

The Saitama Bank, Ltd.

Daiwa Europe Finance PLC

The Fuji Bank, Limited

The Sanwa Bank Limited

Den Danske Bank Midland Bank plc

Tender Panel

Banca Nazionale del Lavoro London Branch Baring Brothers & Co., Limited CIC — Union Européenne International et Cie London Branch

Daiwa Europe Finance PLC Deutsche Bank Aktiengesellschaft London Branch The Fuji Bank, Limited Kleinwort Benson Limited Samuel Montagu & Co. Limited The Saitama Bank, Ltd.

Banque Indosuez London Branch Charterhouse Bank Limited Commerzbank Aktiengesellschaft

Crédit Lyonnais Den Danske Bank Dresdner Bank AG London Branch Hill Samuel & Co. Limited Midland Bank plc

Morgan Guaranty Trust Company of New York The Sanwa Bank Limited The Sumitomo Bank, Limited The Tokai Bank, Limited

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Western Australian Treasury Corporation

DM 100.000.000 6% Bearer Bonds of 1987/1996

guaranteed by the Treasurer on behalf of the

State of Western Australia

Issue Price 100 %

Bayerische Vereinsbank

Banque Paribas Capital Markets GmbH

Commerzbank Aktiengesellschaft

Deutsche Bank

Hambros Bank

Schweizerische Bankgesellschaft (Deutschland) ÄG Schweizerischer Bankverein (Deutschland) AG

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Arab Banking Corporation - Daus & Co. GmbH

Banca del Gottardo

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Trinkaus & Burkhardt KGaA

Vereins- und Westbank Aktiengesellschaft

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June 1987

S.F.E. Bank Limited

The Taiyo Kobe Bank, Limited

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 12 1987					THURSDAY JUNE 11 1987			POLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Grass Die, Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
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Base values: Dec 31, 1986 = 100 Copyright, The Financial Threes, Goldman, Sachs & Co., Wood Mackenzie & Co. Lut. 1987

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Ş/FI P	F1.225	20	23.50A	30	24.70A	-	l –	· ~

TOTAL VOLUME IN CONTRACTS: 40,759 A=Ask B=Bid C=Call

FT CROSSWORD PUZZLE No. 6,352

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- goes (4)
 22 To be acceptable Spurs team's changed (4,6)
 25 Rocky land is universal
- (5) weigh-in? (5)

 27 Stroke regarded as a gamble? (5)

 28 A pocket often has this extra something (4)
- 28 Charlie wasn't an old one (9)
- DOWN
 1 Animal is by the edge (seen in field) (5)
- ACROSS
 1 Abolish extra run? (9)
 6 Rover with number confused (5)
 9 Yarn Ellis construed (5)
 10 Applauds, as louse, for example, is beaten (9)
 11 A cure is never as good as this (10)
 12 Advance payment made in a gallant endeavour (4)
 14 It's stupid returning to month in heart of cricket

 2 Whitechapel man, say, needs rate to be varied (9)
 3 Noted support for the production (5,5)
 4 Associated with spacecraft having teeny Rolls Royce in movement (2-5)
 5 Rich spring's no longer available (4-3)
 6 To drink nothing is futile (2,2)
 7 Parent and offspring can do some building (5)
- 14 It's stupid returning to month in heart of cricket season! (3-4)

 15 Accommodation at the top for a Head? (4.3)

 17 More than just drunk? (7)

 19 Could start train set in action (7)

 20 There's a chance of injury from search when leader goes (4)

 18 Parent and offspring can do some building (5)

 8 Paint disease (9)

 10 One minute lap to be broken? Need to use skill (10)

 14 Note liar's fiddled the written statements (9)

 15 Thought about American gallery in hoax (9)

 16 Amasses knowledge in the library (5.2)

 - library (5,2)
 19 Game consumed with a will
- within extremities of area in Spain (9)

 25 Rocky land is universal (7)

 26 Plant used Germanium an essential part (5)

 27 Plant used Germanium an essential part (5)

 28 Did the account for the man (7)
 - The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

BASE LENDING RATES

%	%	
ABN Back9	Charterhouse Bank 9	Nat Bis of Kenait
Adam & Company	Chibada RA	NatWesteriester
Alfied Arab 8k Ltd 9	City Merchants Bank 9	Northern Back Ltd
Allied Danbar & Co 9	Clydesdale Bank	Monwich Gen. Trest
Affect Irish Bank 9	Comman, Blu. N. East	PK Figges, Light (UK)
American Ext. 8k 9	Consulidated Cred	Provincial Trest Ltd
Anaro Bank 9	Co-coerative Sank	R. Raptael & Sons
Hern Anstacher 9	Cypres Popular Bk	Rozburghe G'ras
ANZ Banking Group 9	Doman Laurie 9	Regal Bit of Scotland.
Associates Cap Corp	Equat'r'i TsiC'p pic 9	Royal Trest Bank
Astronty & Colum 9	Exeter Trust Ltd 972	Smith & Willerson S
Banco de Bilban 9 .	Financial & Gen. Sec 9	Standard Chartered
Bank Happalint	First Hat. Fig. Corp 10	Trustee Sarieus Bris.
Sank Leuri (UK) 9	First Mar. Sec. Ltd 10	UST Mortstoe Em
Bask Credit & Comms 9	● Robert Fleming & Co 9	United Bk of Kowari
Basic of Cooms	Robert Fraser & Pos 10	United Mitrato Bask
Back of Ireland	Girobask	Unity Trest PLC
Bank oi ledia	Gnedays Bank \$9	Westpar Bank, Corp
Bank of Scotland 9	Geitness Matern 9	Whitesom Laidley
Baname Before Ltd 9	HFC Trust & Savings 9	Yorkshire Bask
Bardars Bank 9	Handro Bank 9	••
Beachgark Tst Ltd 9	Heritable & Gen. Tst 9	• Members of the
Beseficial Trest Ltd	• Hit Same ————————————————————————————————————	Houses Committee
Bertiser Bank AG 9	C. Houre & Co	deposits 4%. Savet
	United School B	Test Tier-£2,500+

LONDON RECENT ISSUES EQUITIES

Megkraj & Stas Ltd Mikhani Bank

Issue -	Amonat. Pald	Latest Researc	19	R27	- Stock	Closing	+ =	Net	Times		PE
Price	*	Date	High	Low	·	Price ·		-Der.	Cova	TREE	Rabe
§132	F.P.	30%	177	155	B.D.A. Hitess, 10p.	170		12.5	3.70		186
577	F.P.	-	112	90	Barrett (Heary) 10p	105	 -3	R2.61	22	3.8	16.6
977	F.P.	30/6	107	96	#BondedLaminates10p	105		12.4	24		18.4
G185	F.P.	67	242	210	Chemoxy inti	248	l i	L4.9	27	28	16.9
	F.P.	=	19	10	ChildHealthRes.Wrts	19		_	I — I		l
§125	F.P.	! —	185	145	*Colorgraptic 10p	177	+7	L3.0	2.6	23	20.6
1230	F.P.	107	297	278	Consuter People 50	297	+7	u3.6	3.2		26.0
456	F.P.	17/7	82	75	-tde Morgas 50	75		R1.0	43		17.6
976	F.P.	196	99	76	#GC Floor & Farm's	86		LL.95	28	311	15.6
ş170	F.P.	177	205	188	Hambros Adv. Tech Tst	192		_	I — I	-	! —
4130	F.P.	15/7	170	1263	Neotropics Sp	167		R1.8	4.2	1.5	22.1
_	F.P.	l —	120	60	Oriflame in Warrantsi	120		-	1 —	i — !	i —
125	F.P.	26/6	196	180	Pickenck	188		R2.5	31	1.8	24.6
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11	F.P.	l —	103	98	Do, Inc. 12125	98	-2	H5.67	I — I	7.8	-
11	F.P.	l —	31	18	Dq. Wts. 1212	31	+5	_	l I	I I	 —
11	F.P.	I	102	96	Do.Stepped Pri 12130	10112		H4.20	I — I	5.7	l —
170	85	23/9	154	ر1289ء	Rolls-Royce 20p	134	-2	W4.99	2.7	31	13.2
#100	F.P.	! —	103	100	Saftire Insurance	103		_	I — I	-	l —
125ؤ	F.P.	196	200	155	4\$4arp&L2v10p	185		u3.0	2.4	2.2	25.3
÷92	F.P.	24%	100	96	#Shoralplan 50	96		ահե	3.6		16.5
11	F.P.	I —	155) 135	Smith Doctus 5p	138	-2	0.25	I — I	2,48	
125	F.P.		265	224	#Sock Shop Intl.5p	247		R1.35	3.8		47.8
§125	F.P.		267	J158	#UCL Group 5p	167	+3	#2.5	28		23.6
135	F.P.	49	170	160	Websiller(Barry)loci.5p	167	+3	R4.0	29	3.3	11.8

FIXED INTEREST STOCKS

Issue Price	Attount Paid	Lates Remot	19	87	Stack	Classing Prace	+ 07
£	申	Date	High	LOW		E	
975.982 999.239 1 1 11	F.P. (25) F.P. (25) F.P. (25) F.P. (6) F.P. (6)	207 207 207 288 297 1101	115 884 133 135 135 136 136 137 137 137 137 137 137 137 137 137 137	25% 98% 113 108p 23% 111 99% 21ppm	Burntene Ims. 15% Urs. Lz. 2007-12 Cap & Countier 57% Lst Att. Dis 2027 Dares Est. 104,% Lst Att. Dis 2027 Econtre 124,% Crrv. Urs. La. 1988/90 #Edibors Lyons 7% Car Econ Red Pf. LEI GL. Perstand Ests. 54/% Lst Mt. Dis 2016 Mich Southern Water 7% Red. Prf. 1997 Nationwords 87sc 23.5 88 Nobel & Land Bpc CorConnRedPrf(51) North Mession Assoc. 84,% Grid In 2037	100° 100° 100° 100° 100° 100° 100° 100°	-1s
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issue Price	Ampuni Paid	Latest Remarc	19	67	Stock	Clesing Price	+ 00
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210	NH	24/7	SOpm		Artington Securities 100	50pq	+6
136	MI		83pm	76pm	Bank Ireland cap. (Ir 🖽)	83pm	+5
350	NA	23/7	529m	48em	Berkeley Group	, 52pm	+2
11	NIII	196	6250m	240om	Braithwaite 51	245pm	+5
625cts	NI	196	130am	80mm	Cors Marchison	90pm	
DM450	Nei		278cm	252mm	Deutsche Sk. Dm50	266pm	
25	Nil	24/7	18mm	15pm	Epicare Hidgs. Sp	157 ₂ pm	
250	Í NAL	22/7	100pm	85pm	AFT(E Group 5p	100pes	
210	NE	1 ⁻ - 1	51pm	44pm	Haziewood 10p	51.pm	+5
	NA	295	68pm	45pm	inv. Ja Success Writs.	60pm	
397	MH	207	4Com	15em	#KLP Group 5p	35pm	
265	Nä	15/7	114cm	84om	Kennedy Brookes 10p	11155	+2
180	NH	107	7500	65pm	Quick (H. & J.) 10p	71 pm	+6
21	NU	17/7	92,000	7pm	Rock 10p	87- ₂₀ 41	
345	Nii	17/7	7700	6000	\$Tay Houses	77pm	+8
575	NiL	247	76pm	67pm	WCRS Grp. 10p	75pm	+2

Remunciation date exactly last day for dealing free of stamp duty. A Amusalised dividend. 5 Figures based on prospectus extensives. 6 Dividend rate paid or payable on part of capital, cover based on dividend on full capital. 9 Assumed dividend and yield. A Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1967. L Estimated amusalised dividend, cover and price based on latest annual enrisps. R Forecast assumption dividends, cover and price based on prospectus or other official estimates. W Pro Forma Figures: I indicated dividends, cover relates to provious dividends, post based on latest annual earnings. or Forecast, or estimated assumption of price dividends, cover based on previous dividends. Sense of the state of the provious dividends, post by the properties of provious dividends provided assumption of previous dividends. The state of the provious dividends provided assumption of capitalisation. § Placeton price. 6 Relationsheed, 1 Issued to tothercited with representation price, as under the price.

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Wednesday and Saturday

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MOEDVICE

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LONDON SHARE SERVICE

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Shand Ltd. Shend House, Matlock Derbyshire DE4 3AF Tel: (0629) 734441

Business park at Weybridge

willett, a member of the building and civil engineering division of the Trafalgar House Group, has been awarded contracts worth £18.6m.

Largest, worth £8.2m, is for redevelopment of an estate and car parks to form a hi-tech business park. The new development, for Limco, is at Addlestone Rd, Weybridge. Surrey, and is due Weybridge, Surrey, and is due for completion in 49 weeks. It comprises nine self-contained industrial units grouped in five buildings.

For Oxford University, Willett is to build a £5.3m complex for the Institute of Molecular Medicine at the John Radcliffe Infirmary, Oxford. At Basildon in nrmary, Oxford. At Basildon in Essex a £3m contract has been awarded for a new CRS distribution centre. Willett is to fit out a satellite department store for Marks & Spencer in Harrow, Middlesex. The contract, worth £700,000, is due for completion in 16 weeks.

At Brooklands Industrial Park, Oyster Lane, Byfleet, Surrey, Willett has been awarded a further contract on the site for a third stage spine road develop-ment. Awarded by Oakimber, it is worth film. For Barclays Bank the company is to refur-bish the High St. Epsom branch in Surrey. Valued at almost £300,000, the 30-week contract is due for completion in Novem-

Two smaller contracts have a combined value of £100,000. The first is for a laboratory within existing buildings for Grants of St James's at Slyfield Industrial Estate, Moorfield Rd, Guildford, Surrey. The second for the Commission for New Towns, involves remedial work to com-munity buildings at Magpie Crescent, The Poplars, Steven-

ELLIOTT MEDWAY CON-STRUCTION, part of Falcon Industries, has received orders from the Central Electricity Generating Board for buildings at Sizewell "B" power station.
Worth over £8m, the work comprises amenity building, bedroom blocks, offices, document room blocks, offices, document two floors for £833,000 to accom-store, canteen, laboratory, first-modate computerised print aid centre, fire station, ablution equipment and in Hampstead blocks, induction centre and SDC is building a church and 26 energy information centre. It will take about 11 months, start
of Retirement Community

Renovating Lutyens House Under a £30m contract many

of the important features of Lutyens House, a Grade II listed building on Finsbury Circus in the City of London -recently renamed in bonour of its architect Sir Edwin Lutyens (1869-1944)—are to be retained, including the stone facade and the grand marble lined entrance half and stalrease, during refur-bishment by TAYLOR WOOD-ROW MANAGEMENT CON-TRACTING for Greycoat

The building, completed in 1927 for the Anglo-Iranian Oil Company (now called the British Petroleum Company), is five-sided and, when reno vated will provide 195,000 sq ft of air-conditioned office space. An eighth floor will be added and the roof rebuilt. Demolition of the core of the building will leave the facades, plus sections of the existing floor slab, at several levels to provide structural stability. Listed rooms on the the first floor, plus the chairman's office suite at fourth-floor level will be renovated, while the boardroom, currently on the fourth floor, will be moved to the basement where it will be re-built and renovated using

In part of the void created by the demolition work, a semi-circular, stone and glazed atrium will be built commencing at first floor level. The remainder will

existing materials wherever



photographed from Finsbury Circus. London EC2, which is being renovated under a £30m contract by Taylor Woodrow Management Contracting for Greycoat Group

have a new structural steel frame for office space. To achieve this and other complex construction tasks, extensive temporary works will be installed both within the building and around the outside, including a safety gantry above the pavemen around the whole perimeter. The site will be worked using two tower cranes. Sterage space on site is limited and access is restricted in height and width necessitating careful pre-planning and control of the timing of deliveries.

Internally, the building will be completed to a standard ready for fitting-

out by the tenant. This will include completion of sus-pended ceilings above which will run the ductwork for air conditioning and other pipe work, cabling and sprinkler systems. A raised floor will be installed throughout.

A major consideration is

occupation throughout the project by a branch of the National Westminster Bank in one corner of Lutyens House. Greycoat completed its purchase of the building at the beginning of June and work is due to start on site in August 1987 for completion

in 24 months.

Mixed batch for SDC

SDB BUILDERS, Bedford, has won eight contracts, worth more than £6.6m ranging from design and build to refubishment and construction of everything from flats to factories. The work is flats to factories. The work is spread throughout the Home Counties and London and includes a £1.4m five-storey development of flats, maisonettes and shops at Hampstead for Michael Kelly Home Developments. In Sunningdale, opposite the Ladies' Golf Course, SDC has been acked to design and combeen asked to design and com-plete the conversion of a former conference centre into a 74-bed nursing home on behalf of Care Homes at a cost of £1.13m. The Guardian newspaper in central London, is being refurbished on of Retirement Community Homes, worth over £750,000.

The remaining contracts include factory and office development on behalf of Minolta (UK) ment on behalf of Minolfa (UK) at Milton Keynes (£436,000) and Grand Union Developments at Uxbridge (£685,000), while at Bedford and Biggleswade, in in conjunction with the National Westminster Bank and engineering company Gloster Sare SDC

ing company Gloster Saro, SDC design and build office and factory contracts worth over £700,000 and £648,000. MULTI CONSTRUCTION, Stockport-based subsidiary of the Multi Construction (UK) Group, has been awarded a £268,669 contract by Manchester City Council for the infili to a multistorey block at the John Dalton College Manchester. The contract

will provide additional laboraaccommodation,

includes minor alterations to

than 25th July, 1987.

Company Notices

NOTICE TO HOLDERS OF

EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

agents, ent of the dividend with a 15% withholding tax is subject to ent of the dividend with a 15% withholding tax is subject to positive or the Agent of a valid affective of residence in a tox treaty or agreement with Japan giving the benefit of the grade. Countries currently having such arrangements are as a subject of the countries currently having such arrangements are as including the property of the countries of the coun

the building.

and

Work in the City of London heads contracts worth £10m awarded to TARMAC CONSTRUCTION. The largest is a £5.6m contract for fitting-out offices in Crutched Friars, London, for the National Westminster Bank Work starts this ster Bank. Work starts this month and is scheduled for completion in about a year. At Blakelands, Milton Keynes

a design and construction con-tract for a warehouse and offices,

£5m NatWest City offices

for Paige Management, is valued or Paige Management, is valued at about £2m.
Other projects include a child-ren's centre at Burnage, Greater Manchester, for Manchester City Council (£642,000); fitting-out a store at Leeds for W. H. Smith and Son (£595,000); demolishing a building and constructing offices at Weybridge, Surrey, for Park Commercial Developments (£353,000); and a car park for Newcastle-upon-Tyne City Coun-cil (£236,000).

KENANA SUGAR COMPANY LIMITED PREQUALIFICATION FOR PORT SUBAN SUGAR WAREHOUSE

Kenana Sugar Company Limited operates one of the largest sugar estates at Sufeiya, near Rabak, 250 km south of capital Khartoum,

Kenana wishes to ascertain whether you would be interested in

tendering for the above project. Tenders will be invited from a list of selected contractors. The project is to be financed by the Saudi Fund for Development and the list of prequalified contractors is

Fund for Development and the list of prequalitied contractors is subject to their approval. The eventual form of contract and payment conditions will also reflect their normal requirements. The project will consist of the construction, in Port Sudan, of a sugar warehouse of approximately 12,000 square metres in floor area. The warehouse will be of steel portal frames, 6m to eaves, either 40m clearspan or two 20m spans, clad in single-skin, colour-coated trapezoidal profile, steel sheeting. There will also be approximately

500m2 of offices and ancillary buildings and 250m2 of workshops and

Interested tenderers are requested to forward as soon as possible

the prequalification documents, including a brief report on major construction works recently executed by them along with last annual financial report, to Kenana Sugar Company Limited, P.B. No. 2632,

Khartoum, Democratic Republic of the Sudan, clearly marked for the

attention of Mr. Abdullahi Abu El Gasim, so as to reach him not later

The information given above is tentative and will form no part of any eventual

and about 1,200 km from the sea port Port Sudan.

Trade fairs and exhibitions: UK

June 36-July 2

555100)

Grosvenor House Antiques Fair Electronic Publishing Exhibi(0799-26699) (until June 20) tion and Conference (01-868)

Grosvenor House 4486) Wembley Grosvenor House

Building Maintenance Refur-bishment Expo (0474-874089) Birmingham

Hair Fair—HAIR (01-940 6065) G-Mex Centre, Manchester

Property Management & Archi-tects Exhibitions (01-749 9535) Kensington Exhibition Centre June 23-25

June 27-28 Craft Fair (01-940 4608)

July 3-5 Money Show (0895 58431) University of Leeds July 6-9 Royal Agricultural Show (0203

July 10-19 World Wine Fair (01-729 0677) Electronic Design Automation Show (01-242 3621) Wembley Conference Centre

Software Engineering Tools Ex- July 17-18
hibition and Conference (01-868 Cash and Carry Fashion Fair
4466) Wembley (01-727 1929) Kensington Kensington Town Hall

Kuala Lumpur

Sandown Exhibiton Centre, Gift Trade Fair (0282 867153) Esher Harrogate Exhibition Centre **Overseas**

July 24-27

3777)

July 2-3

Western and Chinese Medical (01-225 Technology and Pharmacology Paris Exhibition (01-486 1951) International Air Show (01-225 5566) (until June 21) June 22-26 July 22-25
British Products and Services
Fair (0206 240668)
Amman International Foundry Exhibi-tion (021-455 9600) Brue

International Wine, Spirits and Equipment Exhibition (01-225 Electronic Products Exhibition 5566) Berdeaux — INTERNEPCON (01-940 June 30-July 3 Electronics Industry Exhibition August 21-27 (02403 29406) Hong Kong International

International Jewellery and Watches Exhibition—JEWEL International Integration of FAIR (01464 4129) Singapore **Business and Management Conferences**

Cavendish Conference

June 16-17
Financial Times: Retailing (01- Financial Times Conferences: 621 1355)
Oil and gas reappraised (01-621 Hotel Inter-Continental, W1 1355) June 18 Longman Seminars: Commercial July 6 Agreements in the Music Industry (01-242 4111)

June 19
International Business Communications: Pensions regulations

Centre, W1 (01-248 4444)

69, Cannon Street, EC4 cations: Pensions regulations (01-236 4080) (01-236 Boyal Lancaster Hotel, W2

June 22-23 Financial Times: World gold July 8-9 conference (01-621 1355) Venice Institute June 23-24 for International Research: Pricing, Hedging and Trading Options on Interest Rates (01-434 1017) Institute

Moorgate Place, EC2 June 24-25 ESC: Commercial Exploitation and Protection of Computer Software (0536 204224) Churchill Hotel, W1

The Strategic Planning Society: Recent research results—the competitiveness of British Multi-nationals (01-235 0246) 15 Belgrave Square, SW1 June 30-July1 Watt Committee on Energy:

Rational use of energy (01-379 Heriot Watt University

(040 35 69 24 40)

Institute for International Research: Issuing, Trading and Investing in Equity Warrants and Convertibles (01-434 0301)

Cafe Royal, Wi July 7-9

City Financial: Insurance information exchange — UK-general markets (01-242 5275)

Connaught Rooms, WC2 Financial Times Conferences: Telecommunications and the European Business Market: the

perspectives for change (01-621 Hotel Inter-Continental, WI July 13-14 Spectra: How can retail management use data collected

from sales points — to make their businesses grow? (0734 Edinburgh 794151) Portman Hotel, WI

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Persona!

SKILLED BUSINESSMAN/ NEGOTIATOR

visiting Chicago start July 10th available for assignments enywhere in USA from July 16th. Paul Surridge. The Studio, 12 High Strest, Wheathemparaed, Herts, Tel: 055283 4117.

Courses

ROYAL ALBERT HALL Tonight at 8. VERD(: REQUIEM Freccia: Soloists & Choir - 450 strong, Tickets from Box Office (01-589 8212) CC (01-589

Clubs

and at door on day.

EVE has outlived the others because of a policy of fair play and value for mores, Suppor from 10-3.30 am. Disco and top musicians. Samorous hostesses, exciting tooyshows. 169, Regent St., WI. 01-734

Contracts and Tenders

ANAMBRA STATE AGRICULTURAL DEVELOPMENT PROJECT

MINISTRY OF AGRICULTURE ANAMBRA STATE ENUGU

TENDER NOTIFICATION

INVITATION FOR BIDS: IFB NO. MSADP/A/IFB 1-**YEHICLES AND EQUIPMENT** Loan No. 2733 UNI

The Government of the Federal Republic of Nigerla has received a loan of \$162m (one hundred and sixty-two million US dollars) from the International Bank for Reconstruction and Development (IBRD) in various currencies. It is intended that part of the proceeds of this loan will be applied to eligible payments under the contract MSADP/A/IFB/1 — Supply of Vehicles and Equipments.

f Vehicles and Equipments.

The Anambra State Agricultural Development Project now invites ealed bids from eligible bidders for the supply of vehicles and equipment a specified in the Bid Documents. Interested eligible bidders may obtain pritter information from and inspect the documents at the office of ANAMBRA STATE AGRICULTURAL DEVELOPMENT PROJECT Onitsha Road, Ministry of Agriculture PMB 01146, Enugu, Nigeria

AGRICULTURAL DEVELOPMENT PROJECT LIAISON OFFICE (ADPLA). 4th Floor Street, London WIX 3PA Teles; 288298

A complete set of Bidding Documents may be purchased by any eligible bidder on submission of a written application, and on payment of a non-refundable sum of \$150 (one hundred and fifty US dollars) or NSCO (live hundred Naire) if purchased in Nigeria. All bide must be accompanied by a Security Bond of 5 per cent (five per cent) in US dollars of the total price of the bid or equivalent amount in another freely convertible currency, and must be delivered to

The Project Manager
ANAMBRA STATE AGRICULTURAL DEVELOPMENT PROJECT
Oninha Road, Ministry of Agriculture
PMB 01145, Enugu
Anambra State, Nigeria

and to have written boldly and underscored on the top left-hand corner "ATTENTION PROCUREMENT OFFICER (MSADP/A/IFB 1)" and to reach him on or before 12 noon (Nigerian time) on the 30th July, 1987. Bios will be opened at 12.00 hours (Nigerian time) on Thursday, 30th July, 1987 at the critice of the Anambra State Agricultural Development Project, Guitsha Roed, Enugu, Nigeria.

Representatives of bidders are advised to be present.

Kaduna State Agricultural Development Project FARMERS SUPPLY COMPANY LIMITED KADUNA - NIGERIA

INVITATION TO BID IFB NO: FASCOM-2 EXTENSION OF DATE

The last date for submission of bids and the date for opening of bids have been changed from June 29, 1987 to July 6, 1987. There is no change in time and place.

Managing Director

CLASSIFIED ADVERTISEMENT RATES

12.50 12.00 6.00 nmercial and industrial Property Commercial and Industrial Seturday Property Residential Property Business Opportunities Investment Opportunities Business for Sale/Wanted 9.50 13.00 13.00 12.00 9.50 9.50 dotor Cars, Travel

CLASSIFIED ADVERTISEMENT MANAGER FINANCIAL TIMES, 10 CANNON STREET, LONDON ECAP 48Y

JAPANESE GOVERNMENT 6% STERLING LOAN 1985/88 The Bank of Tokyo Ltd., are structed by the spanese Government that by the spanese Government that the CoulPONS due 200th une, 1987, while be paid on a strey of the spane of 1987. They should be presented for payment at the Bank of 10kyo Ltd., the Coulon, ECAR GOH. Steed on the torms at the Street on t ons cannot be accepted through THE BANK OF TOKYO LTD. LONDON (Fiscal Agent)

South Oxfordshire

is proposing publishing this Survey on **FRIDAY JULY 17 1987** For full details, contact: ANDREW WOOD on 01-248 5116

The Financial Times

RADIOMETER A/S

At the Ordinary General Meeting of Radiometer A/S (the Company) on 21st May 1987 a resolution was passed to increase the Company's share capital from DKK 91,000,000 to DKK 109,200,000 by way of a bonus issue of DKK 2,400,000 A shares and DKK 15,800,000 B shares.

For each B share amount of DKK 500, existing holders of the Company's B shares will be allocated DKK 100 interim certificates for B shares against surrender of coupon No. 5 from the The bonus shares will be issued in denominations of

DKK 4,000, DKK 1,000 and DKK 100, and will bear full dividend for the Company's fiscal year ending 31st December

The bonus rights (coupon No. 5) will be traded on the Copenhagen Stock Exchange from 22nd June 1987 to 3rd July The interim certificates for the new B shares will be issued from

25th June 1987 through the Company's bank Privatbanken A/S Bersgade 4, Copenhagen Postal address: PO. Box 1000

DK-2300 Copenhagen S Telephone: +45 1 11 11 11, ext. 2343 and 2344 The bonus shares may be delivered through: Privatbanken International Privatbankan Ltd. (Denmark) S.A. 16, Boulevard Royal 107 Cheapside London EC2V 6DA

Telephone 01 726 6000 P.O. Box 562 - 2015 Luxembourg Telephone 476 8111, att. Jens Hasse att. Peter Falck Privatbanken A/S Singapore Branch 21 Collyer Quay 18-01 Hongkong Bank Building Singapore 0104

lephone 2250511 Copenhagen, 21st May 1987.

The Supervisory Board of RADIOMETER A/S

Finance

The following is a record of the principal business and The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

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Lity Site Estates
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and Mercantile Learning Transfit Number 11.30

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Technology Inv. Tat., Mermald Hise. Peddia Dock. EC. 11.30

MEETINGS---

Financial Times Conferences

Oil and Gas Reappraised London — July 2 and 3, 1987,

A substantial delegate list has already been formed for this next FT energy conference in London. Sir Lesley Murphy and Peter Gaffney are to chair and Dr Pierre Jungels, Mr Malcolm Peebles, Mr Henry Rowson, Mr Ted White and Mr Malcolm Peebles, Mr Henry Rowson, Mr Ted White and Mr George Band are among the speakers. Mr Algy Cluff makes a welcome return to an FT platform and Mr Bart Collins, Mr Christopher Masters, Mr Neil Pike, Mr Peter Wildblood and Mr John Deakin are among the other speakers. Mr Hans Henrik Ramm who has given several excellent papers on the Norwegian sector of the North Sea is coming to London in July and the Nigerian Petroleum Minister and Opec President, Alhaji Rilwanu Lukman has accepted in principle to give the keynote address. keynote address.

Telecommunications and the **European Business Market** London - July 7 and 8, 1987

The Financial Times third conference on Telecommunications The Financial Times third conference on Telecommunications and the European Business Market will focus on the Impetus for change in telecommunications in Europe and how the changes will affect the large husiness üser. The 1987 conference brings together a distinguished panel of speakers to review likely future trends and the opportunities for innovative use of communications in both manufacturing and services. Contributors include: Mr Michel Carpentier, Professor Bryan Carsberg, Mr Luis Solana, Mr Gordon Owen, Mr Marino Benedetti, Mr Mike Sheridan, Mr Paul Reevey and Mr John Kelly.

World Motor Conference

Frankfurt - September 10 and 11, 1987

Strategic alliances, investments, distributive developments and relations with Japan with particular emphasis on the Japanese market are the major elements in this year's FT World Motor Conference. Two years ago in Frankfurt, Dr Carl Hahn and and they return to the platform this year. Among the other speakers are Mr Peter Schutz of Porsche, Mr Roger Vincent of Bankers Trust, Mr Giorgio Garuzzo of Iveco and Mr Hansjorg Manger of Robert Bosch.

All inquiries should be addressed to:

The Financial Times Conference Organisation Minster House, Arthur Street London EC4R 9AX

Tel: 01-621 1355 (24-hour answering service) Telex: 27347 FTCONF G Fax: 01-623 8814

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CANADA

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NEW YORK ACTIVE STOCKS

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SOUTH AFRICA JSE Gold (28/9/78).... JSE ladest (28/9/78)....

SPAIN Madrid SE (30/12/85) _

SWEDEN Jacobson & P. (31/12/56)

SWITZERLAND Sensa Bank Corp (31/12/58)

1935.0 (64) 1534.3 (2/1)

WORLD STOCK MARKETS

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NEW YORK DOW June 12 11 10 10 10 10 10 10	1987 Succ compilation 9 Hegh Low High Low	June	18 185.99 230.60 (2/1) 183.43 (255) 80 4580.70 4683.0 (155) 3987.86 (9/1) 80 287.51 217.57 (22/1) 189.64 (6/1) 7.7 531.7 544.1 (12/6) 425.2 (5/1) 110 414.20 469.4 (26/3) 392.0 (2/1) 110 102.70 117.2 (26/3) 471.8 (2/1) 46 576.03 676.84 (6/1) 538.32 (19/3) 160 1741.50 2048.3 (6/1) 16.33.8 (19/3) 33 3108.57 3129.88 (12/6) 2449.88 (20/1)	Have your F.T. hand delivered every morning in The Netherlands If you work in the business centres of AMSTELVEEN, AMSTERDAM, BAARN, BLARICUM, BUSSUM, DELFT, DIEMEN, EINDHOVEN, GRONINGEN, HAARLEM, THE HAGUE, HEEMSTEDE, HILVERSUM, HUIZEN, LAREN, LEIDEN, LEIDERDORP, LEIDSCHENDAM, NAARDEN, OEGSTGEEST, RIJSWIJK, ROTTERDAM, SCHEVENINGEN, SCHIPHOL, UTRECHT or WASSENAAR—gain the edge over your competitors. Have the Financial Times hand delivered to your office. Then start every working day fully briefed and alert to all the issues that affect your market and your business.

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INVESTING

FOR BEGINNERS

By Daniel O'Shea

This book is based on a complete series of articles published in the investors Chronicle under the heading 'Beginners Guide to

It analyses the basic principles of stockmarket investment. discusses the different categories of quoted investment, examines a whole range of related essentials such as the

interpretation of company accounts and gives an up-to-date

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling looks for stimulus after election boost

time sterling would be worth about \$1.65.

DM 1.70, suggesting a devaluation in the dollar of some 5 per cent. Another fall in the dollar is not a view shared by all but bearing in

mind the lip service paid to ruling out another decline by leaders in

Venice and President Reagan's

careless remark that a further dol-

lar fall could be within reason, the

THE UNEXPECTED size of Mrs The Government has a five-year Thatcher's overall majority meant mandate and there has never that sterling immediately had a greater upward potential than had been thought. While a win for the Conservative party was the dynamo which powered the pound's recent upsurge, there was so much good news already built in that a 100 seat plus majority was just the right tonic for a further appreciation.

However UK bond dealers were not the only ones to stay up all night and the Bank of England was keeping an eye on sterling and was keeping an eye on sterling and what most traders see as the magic DM 3.00 level. If sterling does attract considerable intervention, it is likely to leave base rates. On the last point there may have to be some relenting.

£ IN NEW YORK

STERLING INDEX

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CURRENCY RATES

CURRENCY MOVEMENTS

73.5 73.5 73.4 73.6 73.6 73.6 73.4 73.4

Special Drawing Rights

0.77990 1.2970

73.6 73.5 73.4 73.4 73.4 73.5 73.4 73.4 73.4

European Currency Unit

-20.1 -5.7 -11.4 +10.2 -4.5 +3.4 +21.6 +22.9 +14.3 -12.9 -18.3 +65.0

mandate and there has never been a single suggestion that 9 per cent is the end of the road. External factors may also have a significant influence on the

Bank's scope for action. The recent summit in Venice was intriguing not for what was said but for what was left out. The 67nations may already be experimenting with some loose framework on exchange based on ideas used in the EMS. These have obviously needed a considerable update since the Louvre accord because of move-

ments in the dollar's value.

However as Lloyd Bank points out in its latest international the authorities with a few tricky financial outlook the Venice sumjuggling acts, given their previous reluctance to allow a cut in UK stability for the dollar but by base rates. On the last point there

This is also about the time when Nevertheless Nomura Research have. those convinced, see the pound ripe for full participation in the exchange rate mechanism of the EMS. The performance of the dol-Institute suggests that a rise in US With the election now out of the lar against the D-Mark makes any calculation difficult but Lloyds Bank suggests that sterling could join at around its notional rate of DM 2.78. The bank adds that at the

Clearly analysis seem to suggest County NatWest plump for an that there is plenty of room for 2850m requirement for May which manoeuvre, something which the is close to a £750m forecast by authorities may be pleased to stockbrokers James Capel. This would give a dollar rate against the D-Mark of just under LiFFE LONG GILT FUTURES OPTIONS
Strike Calts—Lest Pris—Li
Price Sept Dec Sept
118 9.40 10.05 0.12 (
120 7.54 8.31 0.26 1
124 4.01 7.02 0.46 1
124 4.01 7.46 1.13 1
126 3.24 4.36 1.60 1
128 2.22 3.37 2.50 1
130 1.37 2.48 4.09 1
150 1.37 2.48 4.09 5.37 1
Estivation volume total, Calts 7,422 Pags 4

Pers-Last Sept De 0.12 0.5 0.26 1.1 0.46 1.5 1.13 2.3 1.60 3.2 2.50 4.2 4.09 5.3

net exports in terms of volume, way, markets were already trying will allow the dollar to move up to DM 181 by September and with a June. Next week sees a whole host cable rate pitched at \$1.64, this gives a sterling rate against the D-Mark of DM 2.97.

With the election now out of the way, markets were already trying to adjust to just another day in June. Next week sees a whole host of UK economic data which include retail sales on Monday and PSBR figures on Tuesday.

Thursday sees the release of money supply figures and once again there is little difference in the £2.5bn rise in bank lending forecast by County NatWest and the £2.3bn by James Capel. Other figures include industrial production for April which could rise by 0.2 per cent according to Money Market Services which also suggest a market median of 0.25 per

STANDARD & POORS 500 INDEX

ONB FUTURES OPTIONS

R Puts—Lest
bec Sept Dec
1,03 0,03 0,17
9,17 0,08 0,31
7,37 0,19 0,53
6,06 0,37 1,20
6,49 1,03 1,63
1,49 1,03 1,63
1,49 1,03 1,53
1,49 1,30 2,54
2,44 2,21 3,58
1,59 3,34 5,09 Dec 11.03 9.17 7.37 6.06 4.49 2.40 2.44

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	EMS EUROPE	an cur	RENCY U	IIT RATE	S	
Previous Close 1.6635-1.6645		Ecu central rates	Currency amounts against Ecu June 12	% thange from Central rate	% change adjusted for divergence	Div
0.23-0.22 pm 0.57-0.55 pm 1.25-1.17 pm	Belgian Franc	42.4582 7.85212 2.05853 6.90403	43.0707 7.81009 2.07677 6.93795	+1.44 -0.54 +0.89	+0.76 -1.22 +0.21 -0.19	# # # #

Jane 12	£	5	DM	YEN	F Fr.	S Fr.	H FL	Lira	C \$	B Fr
**	7. 0.605	1,652	2.993 1.812	237.5 143.8	9.990 6.048	2.478 1.500	3,368 2,039	2167. 1312	2214 1.340	62.0 37.5
DM	0.334	0.552	L.	79.37	3.338	0.828	1,125	724.1	0.740	20.7
	4.211	6.956	1260	1000.	42.06	20.43	14,18	9124.	9.320	261
F Fr.	1.001	1.654	2.995	237.7	10.	2.480	3.371	2169.	2.216	62.1
S Fr.	0.484	0.667	1.208	95.86	4.032	1.	1.359	874.7	0.893	25.0
H FI.	0.297	0.491	0.889	70.53	2.967	0.736	l.	643.5	0.657	18.4
Lira	0.461	0.762	1.361	109.6	4.610	1.143	1.554	1000.	1.021	28.6
C S	0.452	0.746	1.352	107.3	4.513	1.119	1.521	979.0	1	28.0
B Fr.	1.612	2.662	4.823	382.8	16.10		5.427	3492	3.567	100

EURO-CURRENCY INTEREST RATES

12 جوز	Short term	7 Days potice	One Morth	Three Months	Siz Months	Gne Year
Sterling	94-94	912-952	84-8%	85 ₈ 83 ₄	82-84	84.83
U.S. Dollar	62.61	613-612	69.71	71-71	77-72	77-8
Carl Dollar	73-8	778-818	81.83	84-812	812-814	87-94
). Guilder	54-54	54-54	5, 5,	54-54	5l ₂ -5l ₄	51-54
w. Franc	2-214	13-17	46.42	312-315	313-313	312-31
leutschmark	34-34	3'2-35	37.36	32.34	35-34	33,-37
r. Franc	84.84	8, 8,	84-84	84-87	85.84	8 H-8H
talian Lire	9-11	9-10	97-10	97, 101	10-10-	107-11
l. Fr. (Fm.)	64-7	6264	64-67	67-7	7-7-2	74-72
Fr. (Con.)	64-7	6-612	65-7	65-7	63-74	7-73
en	3,2-3,2	312-31	31-311	31,37	311-34	312-31
Krone	97.93	91, 91,	91_91	91,-91	912-97	10-10
sian SSing	5-دا4	IVA	418-414	43, 412	41,42	41-47

Long-term Eurodollars: Two years 8½-8½ per cent; three years 8½-8½ per cent t per cent; five years 8½-9 per cent nominal. Short-term rates are call for

Austrian Schiller Belgian Franc	100.1	+10.2	POUND :	spot—fo	RWARD A	gainst th	E PO	UND	
Danish Krone Deutsche Mark Swiss Franc	147.1 173.5	+3.4 +21.6 +22.9	June 12	Day's spread	Close	One month	% pa	Three months	% P.E
Guilder French Franc Lira	71.6	+14.3 -12.9 -18.3	US Canada	1.6500-1.6645 2.2130-2.2309	1.6515-1.6525 2.2130-2.2140	0.13-0.03c pm	1.71 0.43	0.63-0.58 pm 0.21-0.05 pm	1.46 9.23
er		+65.0	Netherlands .	3.354.3.374		1-74 pm	3.34	27 <u>-21, pm</u>	3.34 1.68
		3000	Belgiste	61,72-62,10 11,20%-11,25%	62.00-62.10 11.22%-11.23%	11-8c pm 4-13-ore dis	1.84 ~1.14	28-24 pm 21-35 dis	-3.34
		average 1980- iex (Base average	ireland	1.1120-1.1185			~172	038-0.62 65	-1.79
422=100. 62. 975=100).	w Or CINGHENE IIIA	EX (Dane overage	W. Germany .	2971-2994		N-Net on	5.01	34-34- pm	. 9.85
		-	Portugal	231.49-233.72			~5.56	301-424 ds	-625
-	innther	•	Stealin	207.35-208.12				294-355 ds	-625
HER C	JRRENCIE	3	Italy	2155%-2167%			-1.38	7-14 ds	-1.94
			Norway	11.01%-11.07%			~5.44	154-164 ds	-5.92
June 12	£		France	9,9414-9,9912	9.9812-9.9912	- Կ.cpm	0.30	4, pm-1, ds	-0.03
	7680-27765	1.6740-1.6780	Sweden	10.39-10.43	10.39-10.40	} por + ore dis	0.29	%112 d≤	-0.46
	3035-2.3065	1.3930-1.3940	Japan	2364-2384	237-238	21-7 y pro	5.05	27-24 pm	4.74
		37.5420-37.7300	Austria	20,93-21.02			4.57	234-20% pm	4.25
	2410-7.2540 21.45-225.30	4.3850-4.3880 133.15-135.25	Switzerland _	2464-2484	2.474-2.484	3-3 ₄ c pm	4.54	3-23 ₄ pm	4.64
pg Kong 12	21.45-22-30 29095-12.9190 118.25* 47.60-1359.80	7.8065-7.8075 70.40* 810.20-816.80		s for convertible 2-month 1.30-1.		franc 62,05-62.	LS. Six-n	with forward do	xia: 0.95-
uwait 6.4	46350-0.46450 62.00-62.10	0.28045-0.28055 37.50-37.60	DOLLAR	SPOT-FO	RWARD A	IGAINST T	HE DO	DLLAR	
exico 21	1,1140-4,1195 138,30-2161,10 2,7880-2,7955	2.4880-2.4895 1294.00-1307.00 1.6865-1.6890	June 12	Day's Spread	Close	One regeth	% pa	Three months	% p.a.
	2025-6-2080	3.7500-3.7510	UK†	1.6500-1.6645	1.6515-1.6525	0.25-0.22c pm	1.71	0.63-0.58 pm	1.46
ingapore	3,4875-3,4925	21120-21135	Irelandt	1.4785-1.4938	1.4785-1.4795	0.48-0.43c om	3.66	1.25-1.12 mm	378
Af. (Cm)	3.3015-3.3165	20050-20090	Canada	1.3358-1.3410	1.3390-1.3400	0.13-0.16c ds	-130	0.39 0.44 ds	~1.24
S. Af. (Fn) _ !	5.4255-5.6100	3.2785-3.3900	Markeriante	2 0395-2 0395		0.30-0.20-00	1 49	104.090	211

June 12	Day's Spread	Close	One mouth	% <u>1</u>	Three months	% p.a.
UK†	1.6500-1.6645	1.6515-1.6525	0.25-0.22c pm	1.71	0.63-0.58 pm	1.46
Irelandt	1.4785-1.4938	1,4785-1,4795	0.48-0.43c pm	366	1.25-1.12 pm	378
Canada	1.3358-1.3410	1,3390-1,3400	0.13-0.16c dis	-1.30	0.39 0.44 dis	~1.24
Netherlands .	2.0395-2.0395	2.0385-2.0395	0.30-0.27c pm	1.69	1.04-0.99 pm	201
Belgium	37.16-37.60	37.50-37.60	2-pm par	0.32	6-2 pm	0.43
Denmark	6.74-6.80%	6.79%-6.80%	1.10-1.60are dis		3.40-3.90 dis	~2.16
W. Germany .	1.7920-1.8120	1.8110-1.8120	0.51-0.48pr pcs		1.60-1.55pm	351
Portugal	140-1414	1404-141	60-110c dis	-7.28	230-300 dis	~7.56
Scraig	124,80-125.80	125.70-125.80	75-125c dis	-9.59	230-260 #4	~7.51
Italy	1299-1313	13114-13124	2.80-3.80tire dis	-3.04	9.00-12.00dis	~3.22
Normay	6.634-6.6712		3.80-4.10are dis		11.90-12.20ds	~7.25
France	5.99%-6.05	6.042-6.05	0.60-0.70c dis	-1.30	1.90-2.10 ds	~1.33
Sweden	6.254-6.294	6.29-6.29%	0.70-0.80are dis	-1.44	2.70-2.90 dis	~1.79
Japan	142.60-143.90	143.75-143.85	0.41-0.38y pm	331	1.25-1.20 pm	1.71
Austria	12.591-12.70%	12694-12704	3.40-3.00ers pm	3.05	9.75-8.75 pm	2.94
Switzerland _	1.4810-1.5010	1.4995-1.5005	0.38-0.33c pm	2.86	1.29-1.24 pm	3.40

7 UK and I reland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Beigian rate is for convertible francs. Financial franc 37.55-37.65

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1.50	15.37	15.39			0.00	0.01	0.12	0.27	•	1.50	15.40	16.60	16.60	16.60	محرة	8.3	5 0.35	
1.55	10.39	10.39	10.46	1.62	0.00	0.10	0.49	0.83		1.55	12.10	11.60	11.60	11.60	0.20	0.4	0.60	1.00
1.60	5.39	5.85	6.46	b.84	0.00	0.65	1.49	2.05		LM	6.10	6.60	7.20	7.70	0.25			
1.65	0.39	255	3.45		0.00	2.35	3.48	4.16		1.65	0.30	2.50	4.20	4.75	0.30		5 3.15	3.70
-1.70	0.00	0.79			4.61	5.59	6.59	7.24		1.70	0.20	1.95	215	2.70	3.90			6.70
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In short, it is a complete guide to its subject. An ideal guide for people new to the stockmarket, investing for Beginners should also prove valuable to experts who wish to refresh their ideas on basic aspects of the subject. How safe are stocks and shares? How gift-edged stocks work Equities give you a piece of the action How to buy and sell stocks and shares Earnings and dividends - and how to measure them Understanding company accounts Putting the figures to work Movements in markets Building a portfolio Manufacturing companies: the problem an 11 Success among the retailers Banking and insurance nent trusts offer a spread 14 How to evaluate property compan 15 Understanding the oil market 16 Thrillis and spills in mining shares 17 Overseas trading compani investing abroad: high risks for high rewards 19 What scrip issues are all about 20 When a company makes a rights issue the shareholder's sums 21 Thrills and spills of the take New issues - how companies get a quote 23 More about gifts – and other fixed interest stocks
24 Warrants, options and traded options Investing the unit trust way 26 Insurance-linked investment - the pros and cons 27 Using charts and other investment systems Your broker and your shares 29 Approaching the investment tax sum Published January 1987 Please return to: The Marketing Dept. Francial Times Business Information 102 Clerkenwell Road, London-ECTM, 5SA Tel: 01-251 9321 Telex: 23700 Order Form Please send me.......copy/copies* of INVESTING FOR BEGINNERS (258). Price per capy: £9.50 UK or £12/US\$17 l enclose my cheque value £/USS. I wish to pay by credit card (mark choice): Visa Access American Express Diners I wish to order 5 or more copies. Please send me details of bulk order iscounts or telephone: Card Expry Date. IBLOCK CAPITALS PLEASE)

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review of relevant tax rules.

MONEY MARKETS

2,7880-2,7955 6,2025-6,2080 3,4875-3,4925 3,3015-3,3165 5,4255-5,6100 51,65-51,95 6,0740-6,0800

FORWARD RATES **AGAINST STERLING**

Authorities' options limited

UK clearing bank base lending rate 9 per cent since May 8

THE GREAT post election surge did not happen. Interest rates were marked down very early on Friday morning as the City reacted to the size of the Conservative win. However the election itself did little to alter the chalk and cheese attitudes taken chalk and cheese attitudes taken by the market and the authorities about the pace of decline in interest rates.

Under ideal circumstances the Bank of England could offset the

| L6520 L6471 L6460 L6428 L6395 | 2,9925 2,9901 2,9561 2,9236 2,8592 | 2,9909 1,9865 9,9864 9,9819 9,963 2,4775 2,4633 2,4480 2,4206 2,3673 257.50 236.53 234.63 232.11 236.85

FT LONDON INTERBANK FIXING (11.00 a.m. June 12) 3 months U.S. dollars 6 months U.S. dollars bid 7 kg | offer 7 kg bk) 7-1₂ offer 7 ½

BANK OF ENGLAND TREASURY BILL TENDER Jane 12 June 5 James 12 June 5

£400m £400m £1,086m £1,525m £400m £400m £97,895 £97,91 £3% £00% WEEKLY CHANGE IN WORLD INTEREST RATES

change -0.11 -0.11 -0.08 84 64 5.72 6.15 6.95 97, 83, 83933 87, 87, Unch'd Unch'd RANKFURT Unchild -0.35 -0.075 二 8記 8記 8記 戏战 3.65625 3.65625 0.0625 612 62 —lg +la AMSTERDAM

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centures rates are generally deposit rates in the domestic money market and their retreatments.

way. A steady approach to lower base rates is both wise and com-mendable but circumstances rarely allow carefully laid plans to be carried out without the odd effects of its foreign exchange authorities to control the pound's operations on domestic liquidity rise other than cutting interest

rates.
The temptation to keep something in the cupboard, just in case, no longer stands up because the Government now has a five year mandate and memories of base rate rises early on tend to be for-

That there is a risk indeed of the authorities allowing rates to fall too fast is open to question any-MONEY RATES **NEW YORK**

hiccup.
Inflation figures released on Friday showed a year on year rise of 4.1 per cent which represented a small decline from the previous month. Sterling's confidence is not likely to be dented by the odd half point taken off base rates and if Government forecasts on infla-tion and industrial production are achieved it would seem odd to have prime lending rates still firmly established towards double

THREE-MONTH EURODOLLAN

92.85 92.86 92.86 92.95 91.73 91.73 91.74

High 92.89 92.51 92.19 91.94 91.75

Mar. 91.31 — — Estimated volume 8,872 (6,982) Previous day's open lat. 34,126 (34,696)

CURRENCY FUTURES

POUND-S (FOREIGN EXCHANGE) Spot 1-mth. 3-mth. 6-mth. 12-mth. 1,6520 1,6497 1,6460 1,6428 1,6395

LIFFE-STERLING £25,900 \$ per £

Dec. 1.6446 — — Estimated volume 312 (53) Previous day's open Atl 1,113 (1,112)

High Low Pres 1.6630 1.6526 1.6623 1.6578 1.6470 1.6566 — 1.6545

92.80 92.32 91.96 91.73 91.54

Prev. 92.80 92.30 91.92 91.48 91.50 91.35

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Jese 12	Overnight	One Montk	Two Months	Three Manths	Six Months	Lombard Intervention
Frankfurt Peris Peris Zerich Aussterdant Tokyo Mean Brassels Dublin	325-335 5-8-4 3-11-5 5-5-4 321875 10-11 7.00 11-11-6	3.55-3.65 83.45 34.45 9.65625 104-114 64.64 11-114	3.60-3.70 84-51 	350-3.75 84-84 54-54 54-54 54-54 345625 101-11 612-61 101-11	346-380 811-812 — — — — — 103-105	5.0 7%,
LONDON MONI	Over-	7 days.	Mosts	Three Months	Six Months	One Year
merbank Sterling CDs. Sterling CDs. Local Authority Deposits Local Authority Bombs Discount. M'ket Deposits Company Deposits Freamy Bills (Boy) Freamy Bills (Boy) Free Trade Bills (Boy) Distar CDs SR Linked Deposits ECU Linked Deposits ECU Linked Deposits	10-9	93g-74g 94g 	87-84 81-64 81-64 84 84 84 81-8 81-8 7-00-6-95 64-64	62-5월 6월-6월	6% 64 6% 64	65064 727
Tressury Bills (sell)	; one-month	Signer cent;	three mont	ts 81 per ce	nt; Bank Bi	lis (sell): one-

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SECTION III

FINANCIAL TIMES



Mr Chirac has had a turbulent first year in office, weakened by the strains of cohabitation with President Mitter-

rand and his own right-wing internal divisions. To have any chance of wrestling the presidency from the Socialists. Mr Chirac has to convince the electors that his policies are on the right track, says David Housego.

A bumpy year for Mr Chirac

FRANCE, WHICH for much of largest extreme right wing party the post-war period surprised in Europe. Its success reflect-the world by the strength of its sthe strains on French society of economic expansion, is curthe slow down in growth, and of rently suffering from a burst of high unemployment.

With another year of low growth expected for 1987, the French economy is almost allone among the major industrialised countries to have experienced no more than a fitful recovery since the second oil price shock—a performance now prompting anxieties about the long-term competitiveness of

French industry.
The conservative administration of Mr Jacques Chirac has had a bumpy ride in its first year of office, forced to retreat in part on its legislative prog-ramme and sapped by the strains of "cohabitation" with President Mitterrand as well as by its own internal divisions.

Mr Jean-Marie Le Pen's extreme right wing National Front has maintained its strength through exploiting issues of racism and delinquency-thus making it the

Even French intellectuals— once assured purveyors of ideas—have been asking them-selves why their voices have grown hesitant.

On a political level these doubts are in part the rebound to the excess of confidence with which the right returned to power last year at a time when they seemed likely to reap the windfall gains of the decline in oil prices and the dollar, and when they believed that the application of free market eco-nomics would release fresh springs of productivity in the economy.

But the external environment

turned against them with world growth slowing and inflation rising, while internally the management of a coalition government under pressure from Mr Mitterrand on one side, and Mr Le Pen on the other, has been every bit as difficult as. Mr of these high pressure tactics attained a new peak of



Raymond Barre, the former was to show the strength of Prime Minister and opponent of "cohabitation," had prophe-

Thus Mr Chirac has emerged weaker from the exercise with his authority challenged and his chances of winning the pres-idential election next year much diminished. As against Mr Barre's belief

that a new conservative admi-nistration would need undivided responsibilities and time to implement its policies, Mr Chirac took the view that a vigorous government could obtain sufficient results to point legislative programme that role of the President as national included deregulation, more arbiter and guaranter of flexibility in the labour more.

resistance to change—under-estimated because of the apparent ease with which the Socialists had imposed wage restraint

to rebuild corporate profits. But university students demons-trated against plans to stiffen selection procedures and to raise admission fees. Railway drivers went on strike against merit related pay structures. And the Govern-ment's proposals for reforming the social security structure fell

foul of widespread opposition to

spending cuts.
Mr Mitterrand, by quietly distancing himself from these poliflexibility in the labour market, justice, had little trouble in privatisation and university exploiting the Government's reform.

popularity.

On issues of defence, where he shares divided responsibility with Mr Chirac—he has reg-ularly succeeded in getting the upper hand over the Government including imposing his own views over a French acceptance of Mr Mikhail Gorbachev's double zero option."

He has currently the best chance of winning the Presidential election if he stands.
Parallel with this, Mr Chirac's

difficulties have provoked problems for him within the ranks of his own coalition. He has been continuingly subject to the silent critcism of Mr Barre who was not only opposed to "cohabitation" but in terms of economic policy has felt the Government should have given more priority to bringing down the Budget deficit strengthening investment He ran into the distrust of his

centrist UDF partners by con-centrating key ministerial posts and jobs in government in the hands of his own supporters. More recently be has had to face the impatience of young minis-ters at the initial ambiguity of his stance towards Mr Le Pen some of whose voters he would like to woo away towards his own Gaullist RPR party. The quarrel with Mr François

Leotard, the Minister of Culture and head of the free market Parti Republicain—whom Mr Parti Republicani.
Chirac told to choose between his functions of minister and party leader—brought together remains weak.
The gloominess of the short-term forecasts has prompted of the excessive pessim-

the privatisation programme, petitiveness of French industry. The return to private ownership On the adverse side, French of the groups nationalised by industry was unable to take the Socialists after 1981 has advantage of the strength of the dramatically broadened the dollar to increase sales signifi-

lanking and finance

base of share ownership-with the number of individual shareholders more than tripling to 5.5m after the eighth and most recent privatisation issue.
It has strengthened the

Foreign policy and defence Aviation industry

Bourse as a source of new equity funds—with the amount of fresh capital raised by companies sharply rising as well. But in the case of the more recent privatisation issues, old practices of vesting effective control in the hands of a few institutions friendly to the Gov-ernment, have come to the fore.

The surest sign that the administration is not expecting an upturn in the economy before the May presidential elections is the emphasis in ministerial speeches that the real water-shed ahead is 1992—with the opening up of the European internal market coinciding with the economy reaping the real benefits of restructuring.

But in contrast to a certain medium-term optimism, the short economic forecasts are gloomy. Real GDP is unlikely to rise by much more than 1 per cent this year, the trade account will probably return to deficit, unemployment remains at over 11 per cent of the workforce, inflation will be up to 3.5 per cent by December after 2.1 per cent last year, and interest rates in real terms remain as high as when the Government came to

The hope of Mr Edouard Balladur, the Minister of Finance, none the less is that it can electorally put across the message that its policies are on the right track.

In practice the thrust of the Government's policy has been to strengthen the corporate sector through holding down spending through tax cuts and wage restraint—the conflict with Mr Barre being on whether they have gone far enough in this direction. But the other supply side measures it has taken to favour industry, including the lifting of price and foreign exchange controls, have not had time to show their effect.

The result is that with both domestic and foreign demand

The major exception to these some of the excessive pessim-setbacks has been the success of ism about the long-term com-

cantly to the US market while the dollar's decline has badly hit traditional plant sales to the less sophisticated Opec and

developing country markets. French industry still lags behind its competitors in having insufficiently invested abroad, in having too many companies that are too small and too many which have traditionally fed on the domestic market. It also has a heavier backlog of debt than its British or German rivals.

The positive aspects for the long term are that French companies are now strengthening their balance sheets through a third year of rising profits and through capital increases on the through capital increases on the Bourse, while more mergers to provide a European or worldwide dimension are taking place. In this sense the prospect of the opening up of the internal European market is proving a powerful incentive to change.

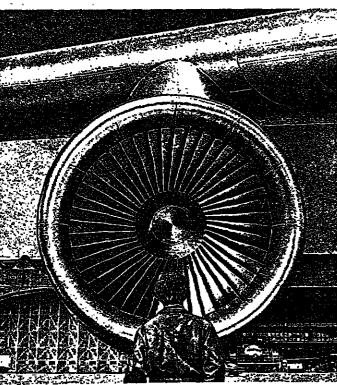
The emphasis on a Euro-pean—rather than a strictly French horizon—is now shared by all the major political parties and is likely to figure largely in the manifestos for the presidential election. It reflects an important acceptance by the Socialists, and more recently by the Gaullists, of the limitations of national ambitions whether in industry, macro-economic policy or in defence. In defence, it coincides with

anxieties over European security in the light of potential US missile and troop withdrawals and the fear that West Germany will look eastwards as much as to the EC.

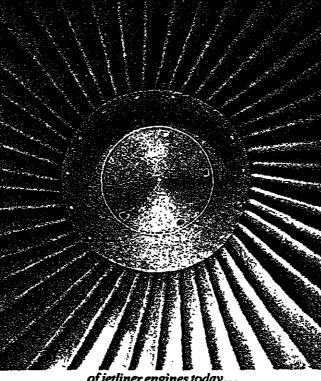
The presidential campaign, however, seems likely to be fought more on personalities than issues—with Mr Mitter-rand or Mr Michel Rocard standing for the Socialists and Mr Chirac or Mr Barre as the main candidate on the right. Mr Mit-terrand has said he will not make known his candidature until March—thus preserving his presidential authority until the last moment.

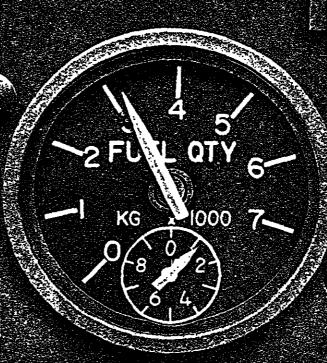
But it is by no means sure that the election will bring an end to the conflicts of "cohabitation." For if Mr Mitterrand is currently clear favourite to win the election, the Socialists are far from certain of regaining control of the National Assembly should legislative elections be held immediately afterwards. Mr Mitterrand could thus still have to cohabit with a govern-ment of the centre on the "right"

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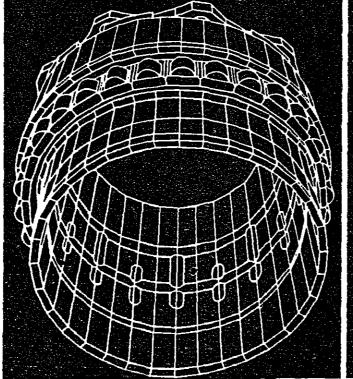
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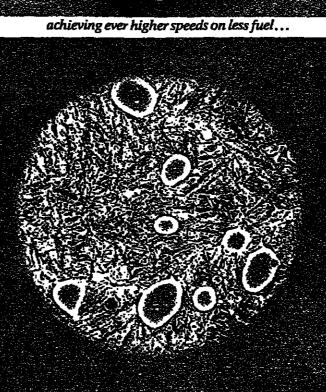




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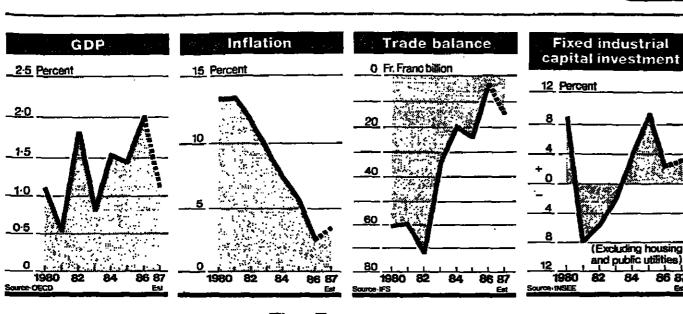
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The Economy

A disappointing performance

THE FRENCH economy is now expected to grow by little more than one per cent in real terms this year after Budget provisions built on a recovery that would have provided a 28 per cent boost in real GDP. Thus over the last seven years annual average growth will have been under 1.5 per cent—or amongst the lowest of the major industrialised countries.

Inflation, which accelerated in the first half of the year under the impact of imported energy prices and the lifting of

energy prices and the lifting of controls on service sector prices, should slow in the second half to give a year-on-year rate of 3.5 per cent—above the 1986 level but still reducing the inflation gap with West

Germany. Export growth, which was flat in the first half, should pick up in the second in part because of the competitive edge provided by the small depreciation of the franc within th Monetary System within the European

But notwithstanding these signs of improvement in the latsigns of inprovement in the fac-ter half of the year, the per-sistently long period of slow growth has been raising uncom-fortable questions about the long-term performance of the

French economy.

The only two periods of more rapid expansion that the eco-nomy has experienced since 1980—two successive half-year periods in 1981-82 and 1985-86 were both the result of a deliberate stimulus to domestic demand that was choked off by a sharp rise in imports. The 2.2 sharp rise in imports. The 22 share has been inadequate per cent expansion of real GDP rates of fixed capital investment by an 82 per cent surge in figures are a continuing subject volume terms in exports.

The tell-tale signs of this disappointing performance have thus been a continuing reduction of France's share of the world market in manufactured goods and a shrinking in the traditional French surplus in industrial goods. With no oil resources of its own, France needs a surplus on its industrial trading account to offset its imported energy bill. But the industrial surplus has shrunk from FFr 89bn in 1985 to FFr 35bn last year and an estimated

FFr 18bn in 1987. This shrinkage points to a number of weaknesses in the French economy by comparison with its competitors. Overall, industrial restructuring in the wake of the second oil crisis began later in France than in most European countries and is

still continuing. Imports have been pushed up in areas like machine tools or consumer electronics where French products have disap-peared from the market or are under strong pressure. On the export side, French industry was badly hit by the shrinkage of oil producing and developing country markets which have been strong clients for its plant equipment manufacturers and for its aeronautics and arms industries.

Its problems of adapting rapidly to shifts in markets and products demand were illustrated by its failure to take much advantage of the earlier rise in the dollar. Behind this loss of market

over recent years. The French

of dispute because of definition. But on the figures on INSEE, the state statistics office, industrial investment in real terms (excluding housing and state utilities but encompassing the agro-business sector) will have climbed by an annual average of 3.2 per cent in real terms over the three years 1985-87. But this follows three years in which industrial investment declined

by 5.3 per cent a year in real terms.
The relatively slow pick-up in investment has occurred, not-withstanding, during a sharp rise in corporate profitability since 1984. But overall, companies have preferred to diminish their backlog of debt—
French companies in the 1960s and 1970s prospered by borrowing heavily and by putting their funds in financial assets.

None the less there remain strong points in the economy that should yield their fruits in the years to come. The auto-mobile industry is the most striking example of a sector that has pulled itself round from high losses to regaining market share in Europe through more stringent financial controls and the introduction of a new range

France still has a strong com-petitive advantage in that unit industrial costs are rising less fast than elsewhere in Europe because of continuing wage restraint. Hourly wages in industry are forecast as rising by 3.4 per cent this year (or below the inflation rate) after a 4.2 per cent increase in 1996 the year—while putting press (when inflation was 2.1 per ure on the currency.

Notwithstanding

disappointment over economic performance this year—a period when the Government had hoped to reap the benefits of the fall in the dollar and of oil

(Excluding housing

prices—there has been relatively little discussion among the political parties of alternative economic policies.

Mr Raymond Barre, the for mer Prime Minister, has con-sistently advocated a further strengthening of companies' balance-sheets and investment potential through such mea-sures as accelerated deprecia-

to investment. The difficulty with this is that it would require a further con-traction of household purchas ing power and an additional deflation of demand (through accelerating the reduction in the Budget deficit) at a moment when wage earners' patience is likely to be running thin.

tion charges or fiscal incentive

The increase in tax and social security contributions—due to take out FFr 21bn of demand take out FFr 21bn of demand this year—were forced on the Government to plug the deficit in the social security fund. In the wake of such measures—meaning that real purchasing power in France will turn negative in the first year of a conservative administration—the temptation for the Government will be to loosen up on wage settlements at the end of the

The risk of such a policy is that is could further widen the French trade deficit—now pro-jected by INSEE at FFr 15bn for

David Housego

Alain Madelin's aim is to transform his industry department into . . .

Ministry of Competitiveness

"WE HAVE WON lots of small battles during the last 12 months. But the important thing is that we have managed to change significantly the atti-tudes of French entrep-reneurs," said Mr Alain Made-lin, the French industry minis-ter who, from the beginning has been one of the most active liberal crusaders in the French con-

servative government.
"The French system had until recently been a system which taxed economic and industrial performance through various forms of bureaucratic or industrial obstacles and practices. For the most part this system en-couraged not so much perform-ance but counterperformance." he added, leaning back in his armchair in his office where a armenar in his office where a model of the European Ariane space rocket sits in one corner.

Mr Madelin, one of the leading figures of the French Republican Party led by his close friend Francois Leotard, the minister of culture and comminister of culture and communications, made it clear from the start when he took over the industry portfolio, that he in-tended to chip away at the old dirigiste and interventionist French habits and try to replace them with a modern open mar-

ket approach. But this has not implied a rapid rupture with the dirigiste policies of the past but an evolution to put a gradual break on dirigisme and accelerate liberal policies," the young minister explained. plained.

"The basic idea has been to educate French entrepreneurs to adopt a bolder approach to industry and risk-taking and not expect, as in the past, to rely on the state to take all the risks." The basic thrust of his industrial policy, although he does not like the term, has been to do away with traditional state sub-sidies to support industrial sec-tors or troubled large industrial groups with more open market

Thus state subsidies have been systematically reduced in recent months and instead the Government has sought to improve the general economic environment for enterprises by reducing interest rates, cutting back bureaucratic red tape and administrative costs, and en-couraging greater labour flexibility to enhance the competitiveness of French industry. To rub home the message, Mr Madelin has also taken a number of controversial but bold decisions. Last summer he de-

cided to stop government sup-



ıstıy Minister Alain Madelin:

Mr Madelin in particular

wants to see the ministry give better support to small and

medium sized enterprises. He

has thus dubbed the ministry as "the Grenelle Consulting Group" in a reference to the management consultancy vocation of the ministry based in the

Rue de Grenelle in Paris. Thus

methods of management, en-courage technology and help smaller companies in their ex-

port efforts among its other taks.
"Our enterprises have been

too long. But they are now re-covering competitiveness and recovering market share. They

again," claimed Mr Madelin.
Indeed, there has been a turnaround in the financial
performance of France's 50

largest industrial groups in the

private and public sectors. In

Mr Madelin has also been

active in returning French state

industrial groups to a free market environment. This has

port for the financially troubled Normed shipbuilding group for-cing it into bankruptcy. To compensate for the closure of the Normed shipyards, he launched a programme of new enterprise zones to encourage job creation in areas hit by the shutdown of

the shipyards.
Already 32 new companies have established themselves in have established themselves in the reorganised ministry is de-the three new enterprise zones, signed to help promote new he says, and another 114 are considering similar moves. In two months, we created 1,000 new jobs and we expect to see the figure rise soon to about 5,000 jobs," he added. ,000 jobs," he added corsetted and choked by admi-Another controversial decinistrative and social charges for

sion was to launch a major reform of his ministry and the appointment for the first time of a well-known businessman with are also reducing their level of no previous direct experience indebtedness and are investing no previous direct experience of the French administration to take over the job of Directeur Generale de l'Industrie, one of the most senior civil servant positions in the industry ministry. What is more. Mr Madelin picked a former senior execu-tive of IBM, Mr Jacques Maison-

private and public sectors. In 1982 these groups reported between them a consolidated net loss of FFr 9bn. By 1985, they had recovered with an overall profit of FFr 13bn which has increased to FFr 20.6bn last rouge, for the task.
Mr Madelin and Mr Maisonrouge say the organisation of the ministry is designed to transform it into "the ministry of competitiveness." This idea is to turn the ministry into a more active vehicle to support efforts to make French industry implied putting a gradual stop to state backing for lame duck industries while encouraging state groups, most of which were when French industrial export performance has been de-

nationalised by the former left-wing government in 1982, to turn increasingly to the market place for their funding needs.

Mr Madelin says his target is to see all French state indust-rial groups with the exception of Charbonnage de France, the

French state coal group which is a special case, operate in open market conditions between now and next year.

The main thrust of this policy has been coming from the Gov-ernment's privatisation prog-ramme which has so far ramme which has so far included, among nationalised included, among nationalised industrial groups, the flotation of the Saint-Gobain pipes and glass group and of Compagnie Generale d'Electricite (CGE), the large French telecommunications and heavy

munications and neavy engineering group.

Mr Madelin acknowledges that it is clear that not all French state industrial groups will be privatised by next year. But even if the state remains their main shareholder, it does not mean that these groups cannot rely increasingly on the financial markets rather than government funding

This has already been happening A good example has been the recapitalisation of Renault Vehicules Industriels, the truck subsidiary of the Renault state car group, which has seen the country's three big-gest commercial banks inves-ting FFr 400m each in RVI in either equity warrant bonds or in equity warrant secured loans. Mr Raymond Levy, the chairman of Renault, sees this move as a first step towards the eventual partial privatisation of the Renault truck subsidiary. The state CdF Chimie chemicals group is now also hoping to open up part of its capital to private shareholders while the

Sacilor steel group has floated a small subsidiary.

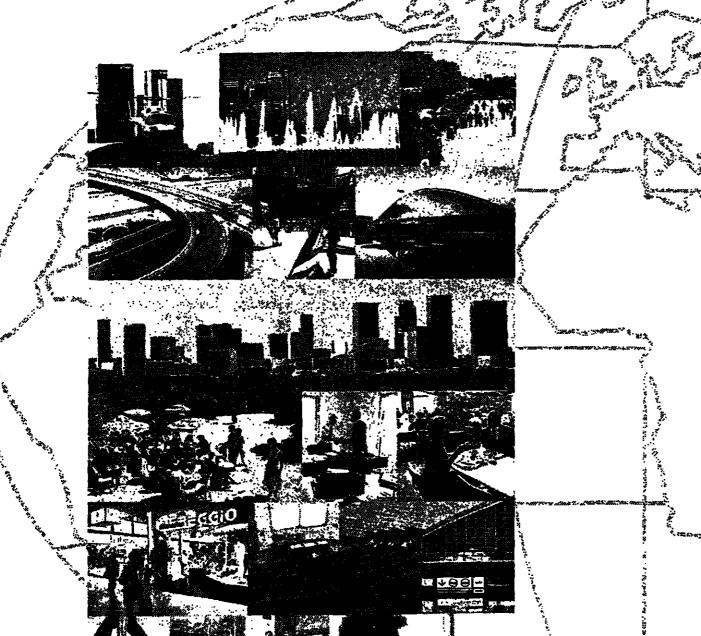
The shift from a system of state support to an open market environment clearly does not imply an end of state financial backing Mr Madelin explains that the Government will continue to support, as the main shareholder of the large state groups, labour and other spe-cial restructuring efforts designed to restore profitability

and competitiveness.

If Mr Madelin has so far not won all his battles as industry minister, he has undoubtedly made a major contribution to the cultural revolution now tak-ing place in French business and industrial attitudes.

Paul Setts

The gate to Business



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CLUB AFFAIRES

Industry

Investment shows signs of recovery

A STEADY if still fragile improvement in French industry has become increasingly evitable to the increasing the increasi dent in recent months. Industrial investments are now expected to increase by about 3 per cent in real terms, according to the most recent survey of the INSEE French statistical institute. Corporate profitability has also continued to recover with enterprises benefiting both from government measures like a reduction in corporate profit taxes as well as from a

labour climate But if the improvement started last year has continued and gathered momentum this year, it is still widely scattered across the range of the different industrial scattered. industrial sectors with some showing a substantial turn-round and others still facing a major uphill task to return to profitability.

marked improvement in the

The recovery in industrial The recovery in industrial investments is for example concentrated this year in two sectors. The automobile industry, after languishing a few years ago, is expected to pick up by as much as 12 per cent this year. The food industry is also expected to show a strong rise in investments this year of between 13 per cent and 14 per cent. But investments in all other major industrial sectors other major industrial sectors are expected to remain stagnant

or rise only very moderately this Moreover, if company balance sheets have been improving French industry still faces a major challenge to improve its general competitiveness. The country's industrial trade sur-plus has continued to decline this year reflecting the difficul-ties many French enterprises cial markets during the last 18 are finding to hold on to international market share, let alone

AF STATE OF THE ST

However, the underlying varisation has opened up new improvement of French Industry is the result in large mea-groups by granting them the sure of a series of major necessary access for develop-restructuring in key sectors durment funds on financial ing the last few years. These restructurings helped by a significant change in traditional of 1982 had caused a major union attitudes are now starting trauma for the large French

recovery has been in the car

Renault car group is now also expected to break even this year

expected to break even this year after suffering record losses during the last three years.

Although Renault still has a major balance sheet problem burdened by some FFr 60bn of debts and a net negative worth of over FFr 15bn, the state car group has undergone a sweeping restructuring which is now starting to pay dividends. It has also decided to withdraw from the US car markets by selling to Chrysler its 46 per cent stake in American Motors Corporation (AMC) and has recently managed to restructure the balance sheet of its heavy truck subsidiary, Renault Vehicules Industriels (RVI), with the help of three banks.

Troubled groups like the Bull or Thomson nationalised electronics group are now back in the black after major restructuring. The same is the case of the Rhone Poulenc chemicals group. But as one senior executive of a large nationalised group remarked: "Nationalisation was clearly useful in some cases. It did a lot of good to some companies. But once these companies have been put back on their feet, it's time to let them go back to the private sector."

All this improvement, however, would have hardly been possible without the dramatic evolution in French trade union attitudes. Barely four years ago, labour unions three banks.

With the improvement in its operating performance, Renault is now expected to tackle the problem of restructuring its own balance sheet. This will entail support from the Government which is likely to agree to write-off a large amount of Renault debt with long maturities and low

The choice of writing-off low interest rate debt would be designed to try to distort as little as possible competition. Indeed, Peugeot has on several occasions expressed concern of what it fears could be an unfair level of support from the Gov-ernment to its main rival on the domestic market.

The easing of exchange controls, lower tax rates and social charges, and the bouyancy of months have also made a significant contribution to the improvement in industry. Pri-

industrial groups. However, the Perhaps the most spectacular subsequent reorganisations and ecovery has been in the car restructurings undertaken durindustry where the private ing the nationalisation period Peugeot-Citroen group after los-ing about FFr 8bn in four years for these enterprises. Indeed,

sector.
Troubled groups like the Bull

trade union attitudes. Barely four years ago, labour unions launched violent confrontations in car plants to oppose redun-dancies and restructuring plans. Plans to reduce steel capacity and cut more jobs in the steel sector also brought angry steel workers out in the streets a few years ago. But during the last 18 months,

the union rank and file has shown a remarkable acceptance of the need to restructure, to increase labour mobility and to adopt a more flexible approach to industrial relations.

"The change in union attitudes and the increasing sense of maturity shown by the labour rank and file are perhaps the single most important evolution in French industry in recent years. It has helped French industry work towards restoring productivity and competitive-ness," said the head of a large

But if the mood has greatly improved in recent months in the French industrial sector at large, industry still faces a set of major challenges. Productivity efforts will have to be maintained and accelerated; restructurings will continue in sectors still in trouble; and efforts intensified to help French industry improve its flagging export performance. We still suffer from the old

many engineers and not enough

ment official.

salesmen," remarked a govern

The public appetite for privatisation shares has

outstripped predictions and shows no slackening

Embarras de richesses

GOING TO the bank in Paris to Mr Edouard Balladur, the cash a cheque has become a finance minister, found "a little hazardous operation these days, too bourgeois" for his taste sucCustomers can hardly get ceeded in attracting 3.8m indithrough the door before they vidual applications—so many, are assailed with brochures that the Government was unable advertising the latest privatisation to give each subscriber more

tion. Bankers who used to be than four shares, content with taking deposits The Government is now faced from their clients are now with the problem of how to give keener to get them to buy shares four-tenths of a free share to all in the next company to be flo-shareholders who keep their ated on the stock market. shares for 18 months, having

in the next company to be floated on the stock market.

There are 65 companies, large and small, on the French Government's privatisation list. Floating as many of them as possible on the stock market before the 1988 presidential elections has turned into little short of a production line.

The public's appetite for privatisation shares, however, has end. commissions cost around outstripped all predictions, Fr 400m, nearly 3 per cent of the making a mockery of fears that the programme—which could amount to Fr 300bn of sales—number of smaller banks such might be more than the still as Sogenal, the Alsace regional substituted and the still as the still a

THE PARIBAS BANKS

The success began in 1985

If the most recent privatisawith Elf Aquitaine, the leading tions, those of the Credit Com-French oil company. The state mercial de France bank and of sold only a portion of its stake, Compagnie Generale d'Electriand the offer for sale was seen as something of a dress rehears something of a dress rehear investors than did Paribas, they sal. It still drew a record 290,000 are nevertheless still entitled to individual investors.

The record was smashed for successes. the first real privatisation. That of the glass and packaging largest ever equity offerings in group, St Gobain, a solid investment-grade share which—to million subscriptions, despite .everyone's surprise—was an unfavourable slump in the bought by more than 1.5 million stock market.

small investors.

The success of the privatisalifthe success of St Gobain was surprising, the flood of subscri- the individual investor bers to the next privatisation, brought grumbling from the that of the banking group Parinstitutions, who have scarcely bas, created something received a single share other approaching panic among finance ministry officials who had to devise a way of meeting for sale, which must be held for two years and which have often two years and which have often their promises. two years and which have one An advertising campaign that commanded a premium price.

The shortage of paper for the institutions has ensured that feeling that you can offer any prices have risen to substantial sort of paper these days and the

relatively underdeveloped subsidiary of the Societe Gener-Paris stock market could cope ale group, also attracted an with. So far, the appetite shows almost unmanageable demand for shares.

consider themselves runaway

days.

Waiting in the wings is the of the money raised from prieven larger offering of Societe vatisations to reduce government that the bond the state of the st

last possible minute his final Mr Pierre Beregovoy, Mr Balla-decision to start the flotation of dur's predecessor at the finance Societe Generale on June 15. ministry.

The sale could be followed in Mr Beregovoy has repeatedly

which are not on the privatisa-tion shortlist cannot grumble, however. The privatisation law stipulates that the money raised in the offers for sale must be to privatise and in the variaused either for repaying govern-tions he has adopted in the ment debt or for capital offers for sale of different com-increases for companies remaining in the state fold. The Socialists were widely

prices have risen to substantial premiums after each flotation. Even a single institution seeking to mop up shares in the market caused the price to rocket, since holdings were so widely dispersed.

For a number of flotations, such as St Gobain and Sogenal, the excess of demand in the secondary market became unmanageable, and no share price could be fixed for some days.

Waiting in the wings is the seeking and the parket will eat it up," commented Mr Jean Peyrelevade, market will eat it up," commented Mr Jean Peyrelevade, chairman of Banque Stern.

If there has been little or no crowding out within the equity market, the privatisation programme has reinforced a trend evident in recent years for savenum and away from the bond market and from the savings banks.

The finance ministry has tried to alleviate this. It has used part of the money raised from pri-

Generale, the country's third ment borrowing in the bond largest commercial bank and market, and it has taken some largest commercial dank and market, and it has taken some the first to be put on sale of the companies nationalised by improve the attractiveness of General Charles de Gaulle at the regulated savings accounts. The end of the Second World War.

Mr Balladur reserved to the socialist party, especially from the composition with the second with the socialist party, especially from the composition with the second wit

the sale could be followed in the autumn by another banking group. Compagnie Financiere shares, the refusal of the Govde Suez, and insurance company—probably Assurances to boost the companies them Generales de France—and posselves, and the allocation of the ibly the chemicals group Rhone Poulenc.

Other state-owned companies which are not on the privatisa-

in the offers for sale must be to privatise and in the varia-

They will receive a third of the privatisation proceeds this as Fr 65bn. Among the beneficiaries will be Renault, CDF-Chimie and the steel industry.

Nor have fears that the privatisation programme would saturate the market and prevent private sector companies from raising capital been justified.

The Socialists were widely echoed, for example, when they demanded a piedge from the Government that none of its members would take up a board seat or a paid post in any privatised company for a period of five years—a shaft directly saturate the market and prevent suspected of having uphol-nimself at the recently floated

SAINT-GOBAIN

From the Government's own supporters, however, comes a less frequently expressed criti-cism, that the privatisation programme so far has touched only the surface, selling off only companies which to all intents and purposes already behaved as though they were in the pri-

vate sector.

Less competitive companies, which some economists in Mr Chirac's camp believe would benefit most from the bracing winds of the private sector, seem set to remain under the

wing of the state.

They also question the point of protecting privatised com-panies from predators by for-ming hard cores of investors, which they see as contradicting the goal of returning these groups to the free market.

For the banks and healthy industrial companies which have been at the top of Mr Balladur's list, the only significant economic effect of their move into the private sector has been into the private sector has been an increased ability to raise new capital from the markets. The banks, in particular, are distinctly under-capitalised in relation to their international competitors, although they are in most cases much better positioned from the point of view of their reserves for problem

loans. These critics look enviously a the denationalisations carried out by Mrs Margaret Thatcher in the UK, and dream of privatis-ing the country's telecom-munications and electricity authorities or even SNCF, the loss-making state railway. If the Government officially

believes that privatisation is a better way to run a railroad, it is not yet willing to put its theory

George Graham



two years and which have often

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and the contract of the contra

The take-over trail

The acquisition bug bites deeply

red their own cosy system of the immediately seen as a transpar"tour de table" consisting of ent effort to try to put off Mr de discreet behind-the-scenes negotiations over mergers and acquisitions.

This was transparimmediately seen as a transparent effort to try to put off Mr de discreet behind-the-scenes behind-the-scenes acquisitions.

The was transparent effort to try to put off Mr de discreet behind-the-scenes acquisitions.

All this is now changing with owned Renault group and the the opening up of the French private Peugeot-Citroen group. Inancial markets, gradual Moreover, the Government's financial liberalisation and the move also gave rise to a major start of what amounts to a controversy in that it seemed French "big bang." Old habits inconsistent with the conservahave been jostled and the Paris tive administration's commit-bourse has now also been ment to new liberal open mar-caught by the takeover bug. But if French companies have now "It was a clear case of good

During the past 12 months, spell out its policy towards major French companies have takeovers, especially by foreign groups. This was all the more acquisitions like L'Air important since the Govern-Liquide's US\$1bn takeover of ment was about to embark on its the US Big Three industrial ambitious privatisation proggases group, or Rhone Poulenc's ramme." he explained. US\$575m acquisition of Union Carbide's agrochemical business against tough competition. Even before the right-wing Government of Mr Jacques thus introduced in its privatisa-Chirac came to power in March tion legislation limits of up to 20 1986, hostile bids were being per cent on foreign share own-

1986, hostile bids were being mounted in France. In the food sector, BSN, France's leading food and drinks group, took control of Generale Biscuit, the national interests. Although the country's biggest biscuit maker, handling of the Valeo takeover after a fierce hostile takeover was initially clumsy and highly after a flerce hostile takeover was initially clumsy and highly fight. The insurance sector also questionable, it none the less started falling prey to takeover ended up serving the Govern-

sial bid for control of Valeo, the The Italian entrepreneur was country's leading car compo-keen to win control of Valeo to nents group, by Mr Carlo de build up, with his other Benedetti, the Italian financier interests in this sector, a major and entrepreneur who is also European car components chairman of Olivetti. Barely a group with the necessary size to few days before last year's elections. Mr de Benedetti succeeded in gaining a large stake Benedetti set up a French bolint valeo and made it clear he ding company called Oerus to intended to seek management he main instrument of intended to seek management become the main instrument of

A FEW YEARS ago no one ti's operation worried the new would ever have imagined that right-wing Government. Mr takeover fever would also grip Edouard Balladur, the finance France like it has done for some and economy minister, sought to time in the US or Britain. Hos-play for time by claiming that tile takeovers against French the French authorities had to enterprises were rarely review carefully the deal engineered with French finan-because it involved French ciers, and industrialists prefer- defence interests. This was

been forced to adapt to an old-fashioned French Govern-increasingly aggressive ment interventionism," admitincreasingly aggressive ment interventionism, admit-takeover climate, they have also in turn become bolder on the lowed the Valeo affair. But the international acquisition trail. Government felt it needed to During the past 12 months, spell out its policy towards Government felt it needed to spell out its policy towards takeovers, especially by foreign groups. This was all the more

> per cent on foreign share own-ership for the time being at least and the option to take out a "golden share" to protect

manoeuvres which were new to ment's purpose.
the French financial markets. In the end, Mr de Benedetti But perhaps the catalyst of the acquired a stake of just under 20 new takeover attitudes in per cent in Valeo but also France was what at the time was obtained management control regarded as a highly controver of the car components group.

his investment and acquisition The timing of Mr de Benedet- policies in France.

With Valeo in the bag, Mr de Benedetti then set out to look for other acquisition opportunito win control of Presses de la Cité, one of the leading French publishing groups, he acquired a major stake in the Yves Saint Laurent fashion house and helped Yves Saint Laurent to mount a US\$630m bid to buy Charles of the Ritz, the US perfume and cosmetics company. Recently he agreed to acquire a large stake in Dafsa, the loss-makingFrench financial information group, which he regards as having good turn-around potential and which will come under his management control in much the same way as

"Mr de Benedetti has played a major role in helping to change attitudes to deal-making in France," acknowledged a French banker, adding that " it would be nice to have a lot of French de Benedettis around."
The new takeover mood in France has prompted a number of leading French companies to

consider carefully ways of tak-ing advantage of the new oppor-tunities offered but also to defend themselves from eventual attacks. This has been the case with a number of companies which have recently launched capital increases or other financial operations to help reinforce their shareholhelp reinforce their sharehol-ding bases to build up stronger anti-takeover defences. This happened with the BSN food and drinks group and the Accor hotel and catering concern. A spectacular example of the intense merger and acquisition climate in the French luxury

goods and wines and spirits industries is the merger this month of Moet-Hennessy, the leading French champagne and cognac house, with Louis Vuitton, the luxury luggage and leather goods manufacturerwhich also owns the Veuve Clicquot champagne concern. Vuit-ton acquired Clicquot for nearly. FFr 5bn last year.

The merger of Moet-Hennessy and Vuitton has created one of the world's leading companies specialising in the luxury sector with a bourse capitalisation of about FFr 25bn, annual sales of nearly FFr 13bn and estimated net profits of more than FFr 1.3bn this year.



The merger of Moet-Hennessy and Vultton creates a flagship for the luxury products range, linking the Moet-Chandon, Mercer and Veuve Clicquot brands of champagne and Christian Dior and Givenchy



Mr Edouard Balladur, Minister of Finance and Economics who sought to avoid opening the floodgates too suddenly to foreign investors.

The merger will reinforce the two companies in the inter-national market but has also neatly resolved two specific problems worrying the respective companies.

In the case of Moet-Hennessy, ding Dior perfume business, it was increasingly concerned to reinforce the control of the company by its family shareholders. For some time, Moet-Hennessy had been viewed as a potential target of a hostile takeover despite its substantial capitalisation of about FFr 15bn.

The merger will not strengthen overall family control for Moet since the Moet-Hennessy and Vuitton families will between them control 50 per cent of the votes of the new merged group.

In the case of Vuitton, there was no fear of hostile raids. However, the group had a medium-term succession prob-lem since its chairman, Mr Henry Racamier, is already aged 75 although he remains extremely dynamic and active.
The merger thus appears to
have resolved the eventual succession problem for Vuitton.

The merged group is now expected to become a flagship of sorts of the French luxury products range with a 20 per cent share of the champagne market, a 22 per cent share of the company market a major was the cognac market, a major pre-sence in the perfume business and leather goods industry. According to Mr Alain Cheva lier, the chairman of Moet, it will also help keep control of champagne production as a whole in French hands.

But perhaps the most asto-nishing example of the new takeover climate that has been gripping France is the inter-national battle for control of Duffour et Igon, a relatively small French industrial gas producer based in Toulouse. The battle has engaged Aga. the Swedish industrial gas group, Linde of West Germany, Union Carbide of the US, and Carburos Metalicos of Spain. The bidding for the French company has been steadily rising, reaching FFr 4,410 a share with Aga's latest offer or double the price at which the bidding initially kicked off. This places a value of FFr 587m on the company whose sales last year totalled FFr 309m. "It just goes to show what people are now prepared to pay to gain market share,"

remarked a French banker.

Banking and finance

Bad debts on the mind

CITICORP, the New York bank- ing effort was taken into ing group, may have sent shock account.

Now Paribas, Sogenal and waves around its competitors in Now Paribas.

provisions, both on specific risks and, especially, on sovereign debts. They have been helped and encouraged in this by the state, which, as reg-ulatory authority, has urged the banks to insure against bad debts.

As owner of all the main banking groups it has not taken from them the same sort of dividends as the stock markets have demanded of their American competitors. As tax collector, finally, it has permitted them to build up these provisions from

pre-tax profits.
For many French groups, the process of insuring against debt problems in Latin America, Africa and other developing countries has not finished. Paris's banking authorities are keen to bring a number of banks, especially foreign-owned institutions, up to the average provisions level of their con-freres. Some others, especially fits, too, the French banks have

Banque Nationale de Paris, three state-owned banks man-the largest of the big three aged to increase net profits by banks, nationalised by General more than 50 per cent. Charles de Gaulle at the end of BNP and Credit Lyonnais possible defaults on sovereign developments of 1986 made debts accounts for 40 per cent of clear. its total exposure in the 65 coun-

go beyond the point of 40 per bank loan in favour of issuing cent cover on sovereign debt their own bonds or other debt

Recognition of the solidity of these reserves matters deeply to the French state-owned banks.

The success of the market in commercial paper, or short-term tradable debt, has been one illustration. First authounder the accusation that they rised at the beginning of last were far less profitable than their Anglo-Saxon rivals, an volume of around Fr 36bn—accusation which they regarded as unfounded if their provision—from the banks' loan books.

ing group, may have sent shock waves around its competitors in the US and in London when it decided last month to set aside \$3bn in provisions for bad debt risks. In France, many bankers rubbed their hands as they saw a rival trying to catch up in one jump with the steps they have taken over recent years.

For some time the major French banks devoted a considerable proportion of their profits to building up bad debt provisions, both on specific risks and, especially, on

The point has been rubbed home by the US ratings agencies, Standard and Poors and cies, Signouro and Poors and Moody's, which have lowered their assessment of the quality of the bonds issued by the French banks from AAA to AA plus as they have moved out from under the state umbrella.

Big five profits

		change
Banque Nationale de Paris (BNP)	3.0	+51_7
Credit Lyonnais	1.9	+52.7
Societe Generale	2.664	+64.0
Paribas	3.2	+18.0
Suez Group	2,37	+56.0
At the level of	f decla	red pro

the very largest, have gone made enormous strides. Last almost as far as they can. year, for example all of the big

the Second World War, actually both recorded a 52 per cent rise, reduced the level of its bad debt to Fr 3bn and Fr 1.9bn respectively, while Société Generale, Fr4.8bn—compared with in honour of its imminent flota-Fr6.2bn and Fr7.2bn respection, raised profits by 64 per tively for its two sisters, Credit cent to Fr 2.7bn and tripled its Lyonnais and Société Genèrale. farewell dividend to the state. BNP says that the total of The waters ahead are less Fri7bn it has set aside to cover smooth, however, as some of the

In the first place, the French tries it regards as on the danger banks, in common with those of list. banks, in common with those of other nations, are confronted by Banking analysts agree that it the process of disintermedia-would be very difficult, and tion. Their corporate customers possibly counter-productive, to are deserting the traditional

exposure.

Recognition of the solidity of

The success of the market in

ment of this and other financial markets has involved the banks in heavy investments in dealing systems and teams, and exposed them to a new range of interest rate and foreign exchange rate

The point was recognised by ne Commission Bancaire. France's bank regulatory authority, which last month issued a white paper recom-mending methods of monitoring and controlling these off-balance-sheet risks. The white paper follows up the cross report on banking innovations, commissioned by the central bank governors of the group of ten leading industrialised nations and published in April

In their bid to regain elsewhere the business they have lost in the coporate sector, the major banks have thrown themselves into these financial market operations and have greatly boosted their earnings from

commissions. They have also rediscovered They have also rediscovered the personal loans sector. Credit Agricole, the huge confederation of rural banks, increased its personal loans business by 33 per cent last year, while Société Generale marked a 37 per cent rise in the same sector.

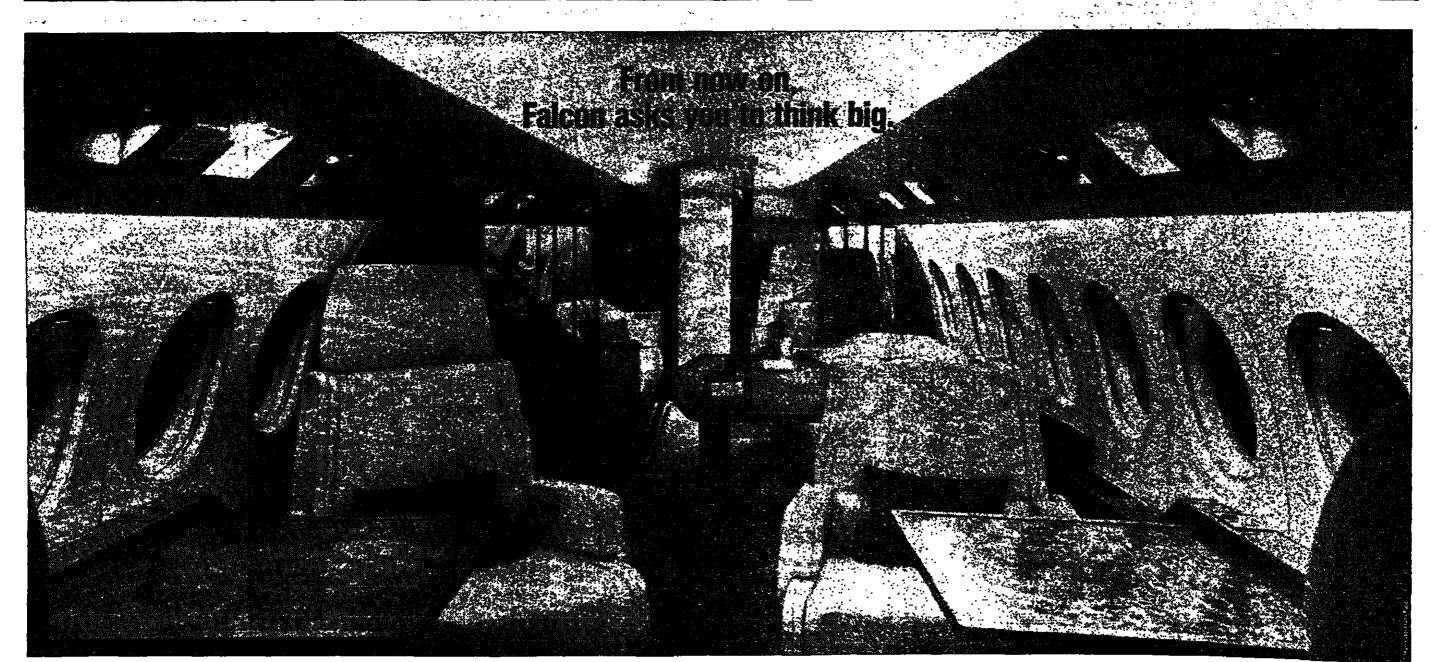
Both here and in the financial markets sector, however, they have run up against competition from smaller and often more nimble organisations which captured market share while the big banks were looking else-

In the personal sector they have met groups such as Com-pagnie Bancaire—itself a part of the Paribas group—while in the financial markets they run across scores of "Banques de

tresorerie."
They also face some heavilycapitalised and highly compe-tent foreign competition. This has been clearest in the capital markets, where—despite not being named by the French treasury as one of the 13 primary dealers or" specialistes en valeurs de tresor"—Citibank and Bankers Trust have rapidly joined their US compatriot Morgan Guaranty, which was named as a primary dealer, among the most active market makers in government bonds and bills.

The result is that for the big nationalised banks, their trou-bles will not be over once they have been privatised. It is only then that the struggle to find future sources of profitability

George Graham



Falcon 900. The widebody business jet which makes the competitors look small. above all offer reliability and safety. The FALCON 900 offers the tri-In 1982, Dassault and Falcon Jet commissioned an in-depth acoustic foam for soundproofing.

survey to determine what features were most wanted in the next generation of business jet aircraft. It showed that the single most important comfort factor to

executives was headroom in the cabin. So you'll be delighted to hear a few facts about the widebody

FALCON 900. The FALCON 900 provides the most stand-up headroom in any other business jet cabin; 6 ft 2 in. compared to its largest and latest competitor's 6'1". The largest cabin width: 92" instead of 88" at the centerline, 73" instead of 65" at floor level. The largest

USABLE cabin floor area. For quietness, it has a structural acoustical shell, faced with Kevlar composite material for strength, and covered with a layer of

One of the reasons of the unique comfort and utility of its widebody, full-head-height interior, is the careful study and application of ergonomics to the design of the FALCON 900.

ronment, creating an extraordinary sensation of utmost efficiency and serene elegance. A corporate jet must



ple-engine safety of an airliner. It has no overwater flight restrictions anywhere in the world, even when operated under airline standards. Its three engines do not only give you more security, but also better take off and climb performance. Comfort. Safety. Effici ency. No matter which way you loo

at business jets, the widebod FALCON 900 really make the competitors look small.

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The National Front. Europe's biggest extreme right-wing party

Saying out loud what they think deep down

A PASSING storm on the French horizon, or, more wor-ryingly, the emergence of a new political force? Politicians have been arguing the question all year as Mr Jean-Marie Le Pen's extremist National Front has grown in strength through exploiting the themes of fear

and insecurity.
With almost 10 per cent of the to the opinion polls, the National Front is by far the largest of Europe's extreme right-wing movements. It also has split the vote on the French right in a way that could jeopar-dise the chances of the main conservative candidates in next year's presidential election. Mr Le Pen was the first politician to announce his candidature. If he has no hope of winning, he hopes that he will have suffi-cient success in the polls to influence the policies and com-position of an administration the symptoms of a "mortal put in place after the election. National Front posters claim that Mr Le Pen " says out loud what you think deep down." On that principle the National Front leader has successively trawled in the murky waters of

Control of the contro

్రభుమం డ్రహా

delinquency, immigration and most recently AIDS. which have grown and then fal-He said in a major television which have grown and then fal-len away. The National Front broadcast in May that AIDS victims are contagious through "their breathing, their tears, their saliva and through con-

capital punishment crime and

It was this outburst with the insinuation that immigrants that drew on Mr Le Pen a frontal attack from many ministers in Michel Noir, the Minister for the Communist Party which has fallowed by the decline in the Light Minister for the Communist Party which has fallowed by the sallowed by th Juppe, the Minister for the Budget.

openly torn on how to repond to cent.

him—hoping on the one hand to The comforting fact in the prewoo Front supporters into their sent situation is that the com-own ranks through concessions bined National Front and Comover the proposed Nationality munist vote is no larger than the Bill, while at the same time traditional strength of the Com-maintaining their distance from munists. him so as not to alienate the



Jean-Marie Le Pen: trawling i

Mr Le Pen claimed four years ago that he was the only politi-cian, who knew how to make France "dream." Bronzed, blond-haired, teeth gleaming, good health, his appeal has been to a society frightened by unemployment and recession and which is willing to blame the four million immigrant community for part of its ills.

save a society in danger." He warns Frenchmen of "decadence" and decline, of a lapse in "family, national, social and intellectual disciplines." and Unlike traditional fascist

leaders, he does not preach the virtues of a strong state. Instead he takes the Reagan view that the state's powers should be reduced and taxes severely cut. France has a long history of extremist right movements was enormously helped by the shift in the electoral system carried out by the Socialists in 1985 when they introduced pro-portional voting for the legis-

lative elections It was this that allowed Mr Le were carrying an AIDS virus Pen to build up a following of that would infect French society over 30 in the National Assembly. The voting system has now been switched back to single

len to 10 per cent of the electo-Up to then, the right had been rate from levels of 20-30 per

David Housego

Foreign policy and defence

Consensus looks more fragile

FRENCH DEFENCE thinking recent joil to French defence which for long was rooted in the thinking came from Mr Gor-Gaullist doctrine of indepenbachev's proposal to add the dent nuclear deterence with divided responsibilities for defence between Prime Minister and President makes it difficult to air new definitions in public.

Among the signs of the shif-

Among the signs of the shifting ground are the proposals for greater co-operation over nuclear issues between France and Britain, the large joint exercises planned this autumn between France and West Germany the greater amphasis or proposed the street of many, the greater emphasis on a European pillar to the Atlantic Alliance, and the greater readi-ness for joint equipment purchasing with European part-ners to keep defence costs

The impetus for these changes comes from the changing East.
West landscape which puts
pressure on Europe to fend
more for itself; from Mr Mikhail
Gorbachev's "double-zero"
offer and the prospect that US missile withdrawals could be followed by partial troop with-drawals as well; and from a potential rise in defence costs beyond what is politically acceptable

Though the Govenment this year announced a five year military budget under which equipment expenditure will rise annually by 6 per cent in real terms, it is by no means certain that future administrations will be able to stick to this. Voices have begun to be raised within the French Socialist party, protesting that the national defence budget has

now passed in size that of education at a time when the demands of schools and universities for fresh funds are increasingly pressing. At the same time, the French Communist party, released from its sup-port of the French nuclear deterrent by Mr Gorbachev's disarmament proposals, has begun an active pacifist cam-All this implies that the

famous French consensus on defence, though still in place, is more fragile and less relevant to

elimination of short-range undergoing substantial weapons in Europe (500-1,000 changes. If they still remain km) to earlier proposals for tucked beneath the surface, this is largely because "cohabita- weapons (1,000-5,000 km). The French administration was deeply divided on how to

respon President Mitterrand took the view that European govern-ments would put themselves in the wrong before their public opinions in rejecting an offer that would be seen as reducing the number of nuclear missiles

in Europe.
Mr Mitterrand also believed that by making concessions on intermediate range weapons, the Alliance could hold the line in preventing cuts below the 500 km range that would sweep into the net the Franch tactical weapons, the Hades and the Pluton.

Within the Government, Mr Chirac and, above all, Mr Andre Giraud, the Minister of Defence, took the view that the "doublezero" option would serve Soviet objectives of a denuclearisation of Europe and thus reinforce the Russian superiority in conventional and chemical weapons. M Giraud went as far as calling concessions on the issue a "European Munich."

But ultimately the Government gave way before the imperatives of solidarity with the position finally adopted by Chancellor Kohl of West Germany and the difficulties of a confrontation with President Mitterrand on such an issue.

But the prospect of the with-drawal of US intermediate range weapons from Europe has been one of the factors pushing Britain and France to closer cooperation over nuclear issues. Among possibilities are joint submarine patrols, the joint production of a new generation of airborne missiles, and cooperation over the security of nuclear bases.

At the same time, the prospect that missile withdrawals could be accompanied by partial US troop withdrawals has accelerated the French defence thinking over a European commit-ment. Mr Francois Heisbourg, a defence analyst with Thom relations and potential conflicts has argued in an influential article that French troops In policy terms, the most would have to replace Amer-



Andre Giraud, Minister of Defence: Warning of a European

ican in the front line-thus implying an automatic commit-ment to French participation in Last month, Airbus clinched ment to French participation in the event of a European con-

The follow-on from that in Mr Heisbourg's view would be a modification of Nato structures that would recognise the changed French role without implying a formal return of France to the Nato integrated

Parallel with this shift to a more European concept of defence, Mr Girand has been actively pushing more co-opera-tion with France's European partners in equipment procurement. The joint production of a Franco-German helicopter— long delayed—now seems likely to go shead with both sides trying to find ways to reduce the

Britain announced jointly the purchase of early-warning aircraft (AWACs) from the US in an operation that reduces the costs for both. At the same time Britain and France are exploring ways for their national defence firms to bid for contracts in

each other's country.

The five-year equipment plan announced by Mr Andre Giraud provides for FFr 474bn in expenditure over the period and will carry French defence expenditure up to close to 4 per cent of GNP. The programme gives priority to the re-equip-ping of the French strategic nuclear submarine fleet with the purchase of multi-head M4 and M5 missiles.

But the planned 6 per cent rise in real terms in equipment expenditure was on the basis of an annual 2.8 per cent rise in GDP. As it is, the French economy is likely to expand by little more than 1 per cent this

David Housego

Aviation industry

Flying into greyer skies

AMID THE fanfares which have surrounded the Airbus civil airliner consortium in recent months, it has been easy to ture for the French aerospace industry.

February saw a triumphant in the European consortium's product range, in the presence of Mr Jacques Chirac, the French Prime Minister, Mr Franz Josef Strauss, Prime Minister of Bavaria, and the Princess of Wales.

The A-320 has proved to be a best-seller, obtaining 261 firm sales, 156 options and 20 com-mitments even before its roll-

the Government financing tion, which saw its profits necessary to launch its next models, the medium-range A-330 new orders more than halved, and the long-haul A-340, which and the year after the death of

should fly by 1992. On the French side, the stateowned Aerospatiale—which is a leading partner in Airbus with 38 per cent of the consortium along with Messerschmitt Bolkow Blohm of West Germany and British Aerospace of the UK—is to receive FFr 4.86bn in reimbursable grants for the A-

330/A340 programme. Snecma, the aero engine manufacturer, also state-owned, will receive FFT 960m to develop the CFM-56 motor it produces jointly with General Electric of the US so that it can power the A-330s and A-340s.

Snecma says the grant represents the full amount it had asked for from the Government but for Aerospatiale it covers only 60 per cent of the cost. The duce with Italy. group will at some stage need a sizeable capital to fund its

Against the strong performance by the Airbus, the rest of the French aerospace industry has experienced difficult times. Deliveries remained weak as the effects of the slump in standing order book dwindled

French aerospace manu- The ACE now planned will be facturers have been hit by the an aircraft weighing 8.6 tonnes lar—in which most of their M-88 engines and offering low orders are booked—by the visibility to radar if not the stagnation of their downstal. market and by the downturn in planned. some of the Middle Eastern The green light from the Gov-markets where they were ernment for this fighter project



The A-320 has proved to be a best-seller

The downturn has caused considerable problems for Avions Marcel Dassault-Breguet Aviathe company's founder, Mr Mar-cel Dassault, ended with job cuts for the first time in its his-tory. The new year began badly,

too, as Dassault lost a potential FFr 1.6bn order from Switzer- per cent to FFr 303m. land for the Alpha jet trainer to its British rival, the Hawk A brighter note was struck for Dassault when the Government finally gave its backing to a new fighter aircraft to be based on its Rafale prototype, although it insisted that Dassault team up

with other French companies.
France had been unable to agree with West Germany and the UK on the framework for a new joint European fighter. Now its Avion de Combat Europeen (ACE) will compete with the Eurolighter they are to pro-

The ACE grouping includes, besides Dassault and its electronics subsidiary Electronique Serge Dassault, Thomson CSF for the electronics and Snecma for the engines. Managed by a Dassault man, Mr Bruno Revel-Total export orders booked in Falcoz, it will be chaired by 1986 plunged to FFr 39.9bn, General Bernard Capillon, new compared with FFr 61.6bn in chairman of Sneema, and will the exceptional year of 1985. also seek foreign partners.

Deliveries remained weak as An olive branch has also been

orders in 1983 and 1984 worked consortium, raising the possibil-through, and in total the out- ity of collaboration over some of the electronic equipment which by 10 per cent to FFr 110bn by will be common to the two air-the end of the year. craft.

visibility to radar, if not the full "stealth" potential originally

will do nothing for Dassault's

immediate problems, however, since the ACE will not be flying until 1996, and will not fill the company's order book before then.

Like Dassault, Aerospatiale

saw profits slump last year, even though the company managed to mop up for the first time more than half the French aerospace industry's total export orders. Earnings fell 42

Mr Henri Martre, the company's chairman, said it would not be before 1988 that sales started to recover significantly under the influence of the strong order intake of 1985 and

The group's strongest performer was its helicopter division. which booked 43 orders for its super Puma helicopter and recorded a 23 per cent rise in sales despite a difficult inter-national market for its products. France has been more

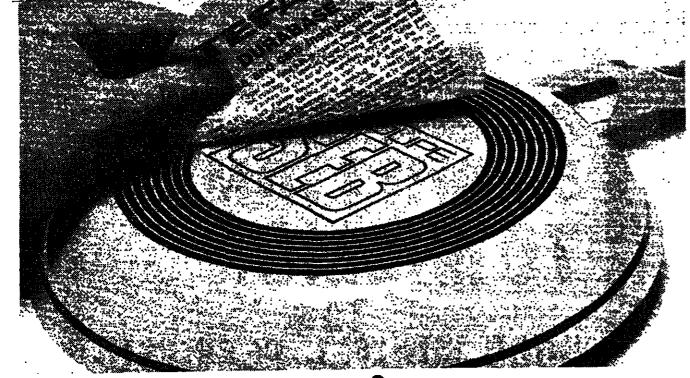
successful in co-operating with its European pariners in the helicopter field than it was over

the European fighter.
Mr Andre Giraud, France's Defence Minister, announced in March that he had agreed with his West German counterpart Mr Manfred Woerner on the launch of a programme to build a Franco-German anti-tank

The helicopter is something of a compromise.

Even this agreement—after three years of stalled talks—has not assured the helicopter's future. Mr Giraud still wants Aerospatiale and West Ger-many's MBB to come up with substantial cost savings before he gives the final go-ahead. From the German side there have been indications that the reverse may happen, and that considerably overshot

George Graham



ouve never een able to

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Telecommunications

Takeover battles in the air

THE FRENCH telecommunica- French group which itself was tions industry has been captur-negotiating a landmark deal ing not only the domestic head-with ITT to merge its Alcatel lines but also the international telecommunications assets with headlines for most of the past 12 those of ITT into a new Frenchmonths. It has been at the cen-tre of an international indust-communications group. rial takeover battle of epic But other candidates emerged proportions which at one stage for CGCT. The West German turned into a major diplomatic Siemens group was clearly confrontation between the US alarmed at AT&T's European and West Germany.

It is also in the throes of a gradual but far-reaching pro-cess of deregulation while Alcatel, the leading French telecommunications group, controlled by the recently priva-tised Compagnie Generale d'Electricife (CGE), has now taken control of a new telecommunications venture which has become the world's secondlargest telecommunications concern after American Telephone and Telegraph (AT&T).

In many respects, all these events have been interlinked. They also all reflect the major transformation taking place in French and other western tele- campaign which ultimately paid communications industries. And in many ways they are only the thin end of the wedge to the even more radical changes and regroupings which are likely to occur in coming years in this key industrial sector.

The industrial battles and manoeuvrings that have aiready taken place in France stem essentially from the break-up of the AT&T Bell system monopoly in the US. This landmark decision not only opened up the American telecommunications market to outside competition but also forced AT&T to assume. a more aggressive international

For this reason, AT&T early on established a partnership with Philips in the digital pub-lic switch business and, with Philips, sought to seize control of Compagnie Generale de Constructions Telephoniques (CGCT), the troubled French nationalised telecommunications equipment group.

initial access to about 16 per cent of the French public switch market. For a long time, AT&T seemed set to win control of Alcatel absorbing its rival's CGCT. To reinforce its chances telephone interests, the DGT it proposed a deal in microwave was left with only one supplier ity could well one day become systems with CGE the other big and a second source had to be operators of a transmission ser-

moves and put in a rival bid for CGCT. Siemens moreover was also worried by the CGE-ITT link-up which would bring under French control the ITT German subsidiary SEL, a major rival of Siemens on its own domestic market. Arguing the case of reciprocity. Siemens with the support of the West .German Government started putting intense pressure on the French authorities to back its

case for CGCT. At the same time, Ericsson of Sweden and, to a lesser extent, Northern Telecom of Canada expressed interest in CGCT. Ericsson in particular mounted a careful and well-preanised off. For the Swedish group finally won the battle of control for CGCT when the French Government decided to sell control of the company for FFr500m to a consortium including Ericsson. the French Matra group and the French Bouygues construction

The decision to choose Ericsson was widely seen as a diplomatic compromise on the anxious to avoid a major row with either Washington, which had also been giving strong backing for its candidate. or Bonn. "It was the judgment of Solomon," remarked an official familiar with the CGCT saga.

But the decision was also welcomed by the French telecom-

comed by the French telecommunications authority—the Direction Generale des Telecommunications (DGT)—which tive environment as possible in the domestic public switch market. This market had been closed to foreign competition Formerly owned by ITT, the nationalised French group attracted AT&T because it would give the American giant pliers for the DGT.

However, after the merger in 1983 of Alcatel's and Thomson's telecommunications assets with



found for CGCT manufactured on licence Thomson switches which were now under the orbit

The French telecommunications authority had shown some concern over the implications of AT&T's microwave deal with CGE and of eventual informal reciprocity arrangements with West Germany. But the Ericsson solution clearly seemed to guarantee a sense of greater competitiveness in the public switch market for the DGT.

This was all the more impor tant at a time when the French Government and in particular Mr Gerard Longuet, the liberal French post and telecom-munications (PTT) minister, had launched a deregulation pro-gramme of the domestic telecommunications sector. The Government has already indi-cated that it plans to open up to competition the market for value added network services. Already groups like IBM and Olivetti have lined up French partners to penetrate this mar-ket. Mr Longuet also wants to open to competition the market

for radio telephones and has proposed allowing private groups to operate pay telephone But France is unlikely to go fast and as far in telecommunications deregulation as Britain. Although the Government intends to put before parliament a new law defining the rules of competition in the telecommunications sector, it is unlikely to lead quickly to the setting up of a rival transmis-sion service like Mercury in the UK to the basic DGT services. In the longer term, however, officials and DGT experts do not rule out the gradual introduc-tion of competition in basic transmission services in France Groups like the SNCF

state railways or the Electricité

de France (EDF) electricity util-

vice, a DGT official suggested.
The problem of telecommunications deregulation is particularly delicate in view of the major contribution which the DGT makes in diffirent forms to the French budget. For years the DGT has been a cash cow for French Government. It contributed to various state

budgets as much as FFr 20br last year. The finance author-ities are thus clearly reluctant to lose such an abundant and regular source of funding through deregulation. But the DGT also argues that in an open market environment it must also be equipped with the same tools as its competition. tools as its competitors to com-pete in the market place.

This would entail the DGT being able to use some of the funds it hands over to the state to reinforce its own balance sheet and reduce its heavy bur den of debts. The French Government has acknowledged that deregula-

tion will be a fine balancing act "We don't want to see the DGT transform itself from a public monopoly into a private monopoly. Nor do we want to see the new competition being able to cream the best part of the market," explained a senior member of the Government. The gradual deregulation of French telecommunications is also expected to be accompanied by further industrial rationalisations and regroupings as telecommunications concerns continue to establish what they regard is the neces-sary critical size to compete in an increasingly open and tough international environment

"The CGCT saga and the CGE-ITT deal are only the first chap-ter of a major shake-up in the telecommunications industry. They are a taste of future things to come," remarked one of the protagonists in the recently resolved CGCT affair.

Broadcasting

A real life TV soap opera

THE DEREGULATION and reform of the French broadcas-ting industry coupled with the privatisation of the country's leading state television network TF-1 have provided France with an unexpectedly juicy real life television soap opera saga of its

For the past 12 months, the spotlight has been on the broad-casting industry which has assumed a centre stage political and economic role in the country. The political passions which have been unleashed by the broadcasting changes first promoted by the former socialist government and sub-sequently modified and accelerated by the conservative admi-nistration of Mr Jacques Chirac. the prime minister, reflect the high stakes involved in what has

become a battle for supremacy in this key sector of French life. The changes in French broad-casting have been more sweeping than anywhere else in west-ern Europe. Once firmly in the hands of the state, the television monopoly in France has been split France's so-called PAF (short for "panorama audiovi-suel francais" or French broad-casting scene) now includes three private commercial television networks a private pay television channel, and two state networks.

Next year, the French direct broadcasting television satel-lite TDF is due to be placed in orbit which will beam four channels throughout Europe. Cabling, although at a slower rate than expected, is going ahead in several major cities. To regulate this new broad-

casting industry, the Govern-ment has set up a communications commission called Com-mission Nationale des Communications et Libertes (CNCL) modelled on the Federal Communications Commission (FCC) in the US.

The battle has so far been most intense over the new private television networks. The Socialists, expecting to lose power to the right in last year's legislative elections, rushed through a broadcasting deregulation programme designed to create new private television networks. The idea was to undermine the right's efforts to regain full control of the country's television broadcasting networks when it returned to government

The left thus attributed to groups sympathetic to its cause the concession to run the new private fifth and sixth channels. The fifth, or "La Cinq" as it is





Principal players in the TV network battles (left to right) Robert Maxwell, Silvio Berlusconi and Francis Bouygue

known, was attributed to a group, and to Mr Silvio Berlus-coni, the Italian television entrepreneur.

The sixth went to a French consortium which developed the network into a specific music channel concentrating on pop music and video-clips. As for the pay television channel Canal Plus it was launched by the Havas state owned media and advertising group now privatised by the right. After a shaky start, Canal Plus has turned out to be a financial

Under the socialist plan, the new private channels would compete against the existing three French national networks including TF-1. Antenne 2 and the regional FR3 channel However, as soon as the right was back in power, it decided to modify the programme to ensure that, while private, the influential broadcasting groups remained in its camp rather than under any socialist influ-

ence.
The first thing the right set about doing was to cancel the concessions granted by the left to operate private channels and redistribute them to new groups. Although this involved a bidding process with the newly formed CNCL acting as an inde-pendent referee, the competition was widely regarded as rig-ged from the start with the Government ensuring that its favoured candidates were ulti-

The fifth channel was finally leading construction group, and partnership including Mr granted to a consortium combin-Jerome Seydoux, head of the Chargeurs transport and media group, and to Mr Silvio Berlus-coni, the Italian television develop a major presence in television broadcasting, and Mr Berlusconi of Italy.

The sixth channel went to a group including the Lyonnais des Eaux private water utility and the Compagnie Luxem-bourgeoise de Telediffusion (CLT). The Lyonnaise des Eaux had also wanted for a long time to diversify into broadcasting and its chairman is a former secretary general of Mr Chirac's neo-Gaullist RPR party. The CLT for its part had been thwarted by the socialists in its efforts to secure a strong footh-old in the French television industry and had lobbied hard with the right.

But the controversy the new concessions for the fifth and sixth channels provoked were only an hors d'oeuvre of the major political row caused by the Government's decision to privatise TF-1, the country's oldest and biggest national television network.

It was the first time that a western government had decided to privatise a state television network and immediately major financial, industrial and publishing groups lined up to try to win control of the channel. For a long time it seemed that the frontrunner to take over control of the network was a consortium led by Hachette, the country's leading publishing group. But in the end, a group

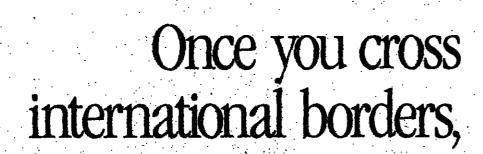
Mr Robert Maxwell, the UK publisher, won the battle for TF-1 paying Fr 3bn for a 50 per cent stake in the network.

The rest of the channel is expected to be sold by the French Government early next month with 40 per cent of the shares offered to small inves-tors and the remaining 10 per cent to employees of the net-work. These shares will be offered at a lower price than the 50 per cent controlling stake which carried a substantial premium.

But for Mr Bouygues, who has built up during the past 30 years the world's biggest construction group with annual sales of FFr 46bn, the problems appear to have just begun. After the fierce battle with Hachette for control of the TF-1, Mr Bouygues has suddenly found himself in the middle of a new battle against

Mr Hersant's fifth channel. During the past few weeks, the rival channels have been raiding each other's networks to lure away France's most popular television stars to arm themselves for the new television ratings war and attract advertisers. Mr Hersant launched the hostilities by attracting to his net-work two of TF-1's best known variety and chat show artists, while Mr Bouygues counter-attacked by hiring some of the biggest names in French televi-

sion journalism.
The musical chairs has only begun and is likely to continue to unsettle the industry and command the headlines for led by Bouygues, the country's months to come.



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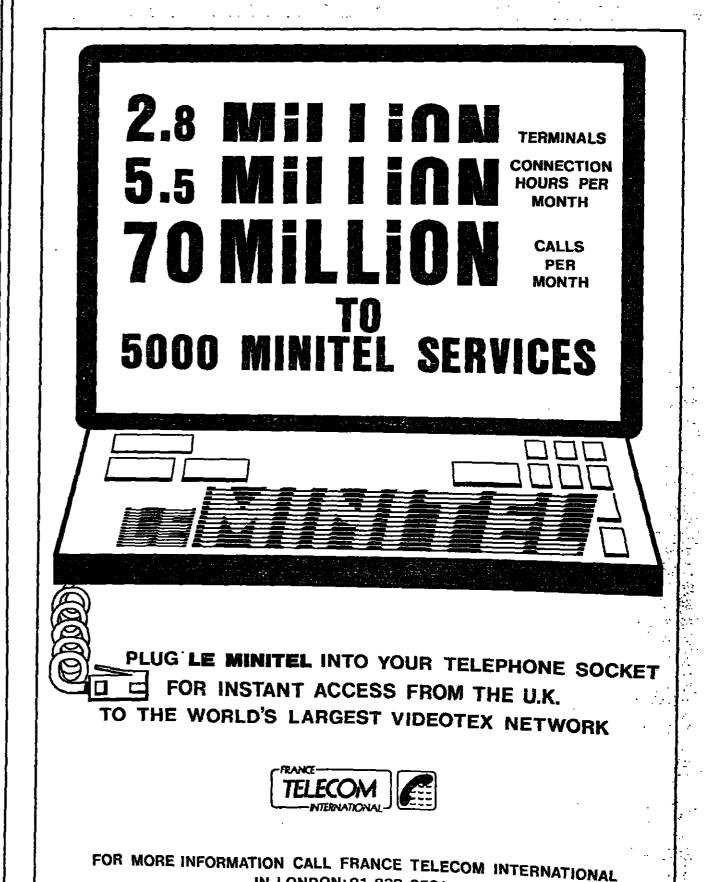
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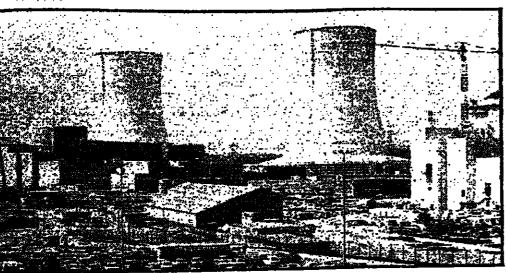
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FRANCE 7



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Blow to nuclear power

THE DEPARTURE a month ago from the chairmanship of France's electricity authority of Mr Marcel Boiteux marked the end of an era.

In 12 years as managing director of Electricite de France (EDF) and then a further eight

rears as its chairman, Mr Boiteux had left his spoor all over France's energy policy and turned it into the world's most nuclear dependent country. With an output of 237 Tera-Watt hours, nuclear power sta-tions accounted for 76 per cent of EDF's total electricity output in 1986, and for a quarter of France's total energy consump-

In the years since 1974 when the programme was getting under way, France remained barely touched by the public opposition to nuclear energy that stalled power station con-struction in many other coun-

The carefully wrought "nuclear consensus," however, took a body blow with the Chernobyl disaster in the Soviet Union. Public opinion found that the authorities had been economical with the truth and reacted unfavourably to the official line that the Chernobyl cloud had somehow been turned back at the French

The line has changed now.

EDF and the Government now rush to provide full information on every breakdown at nuclear power stations. Worried citizens can dial up an electronic information service on the information service on the Switzerland, with net imports of country's videotext system, Minitel.

while in 1979 France was still a net importar. Gross exports fell, however, under the influence of the simultaneous fall of the oil price and the dollar exchange rate.

The largest customers are Switzerland, with net imports of 9.5 TWh in 1988, and Italy, with 6.3 TWh. Following the installa-

But a steady flow of incidents, mostly minor, has served to Channel cable in March 1986, keep up the level of public anxithe UK imported a net 44 TWh, ety. Ice blocking the water cool-ing system at St Laurent des 1987 with a full year of opera-Eaux and leaks of uranium hex-tion. Eaux and leaks of uranium hexafluoride from the Pierrelatte
plant were followed by a seepage of sodium from the cooling
age of sodium from the cooling Creys-Malville reactor,

Mr Pierre DeLaporte, the for- ners. mer managing director of the national gas supplier Gaz de France who has taken over from Mr Boiteux at EDF, faces a heavy task in convincing public New long-term deals have already been signed with

the nuclear construction prog-ramme was based on forecasts the nuclear construction programme was based on forecasts of the demand for electricity which by 1983 were clearly optimistic. Some say France is already overequipped with power stations. Mr Boiteux says ary. The concentration of investment on the construction of power stations. Mr Boiteux says ary. The concentration of investit still has insufficient nuclear ment on the construction of capacity, but by 1990 it will have reactors had left sad deficienbetween three and five reactors



from Electricite de France marks

the end of an era.

more than the economic optimum. Already, EDF has had to turn overseas to find customers for its electricity. It clocked up net exports of current worth FFr 5.3bn last year, bringing in pro-fits of FFr 3.5bn.

The utility exported a net 25.4
TeraWatt hours of electricity in 1986-twice as much as in 1983while in 1979 France was still a

6.3 TWh. Following the installa-tion of the direct current cross-

Superphenix fast breeder per cent of its output to EDF's reactor.

Italian and West German part-

At home, too, EDF has had to heavy task in convincing public opinion again.

But even without this turnar- and in sentiment Means have already been signed with Pechiney, the state-owned alumination of industrial companies. New long-term deals have already been signed with the state-owned alumination of industrial companies. ound in sentiment, Mr
Delaporte has significant economic problems in his in-tray.
As Mr Boiteux has admitted,

As Mr Boiteux has admitted,

Another problem resulting

tion networks, especially in the

cabling of Paris.
If the budget for investment in this sector looked respectable, much of the money had recently gone on the cross-Channel cable rather than on domestic net-

The nuclear programme also left its mark on EDF's financial position, with Fr 220bn of debt

at the end of last year.
Yet in 1986, its 40th
anniversary year, EDF raised
its net profits by 30 per cent to Fr 1.3bn, and embarked on a profit-sharing arrangement for its employees which breaks new ground in the French public At EDF's twin sister Gaz de France, the future has become

less certain in the wake of the collapse of oil prices and its knock-on effects on natural gas. The company has, however, settled some of the questions over its sources of supply. It finally signed, after many last minute difficulties, a contract for 6bn cubic metres a year of gas from Norway's Troll field, with an option for a further 2bn cubic metres. In addition, it succeeded in renegotiating the price terms on its contract with Algeria's Sonatrach, which accounts for around a quarter of

its supplies. The same cannot be said for The same cannot be said for charbonnages de France, the state coal mines, which have continued their steady decline. Trade unions now say the company will cut 25,000 to 27,000 of its 40,000 workforce and close all its mines in the Nord-Pas de

Calais region.
For the oil companies, like their international competitors, the past year has been a diffi-cult one. At Elf-Aquitaine, profits fell by 19 per cent to Fr 4.28bn, while Total, using a different accounting method for its stock valuations, recorded a

much sniping over which correct accounting method to

correct accounting method to use in valuing oil stocks.

Whereas last year Elf was able to make up in part for the fall in crude oil prices by better margins on its refined products, this year the downstream activities have turned sour. Prices for refined products are not firming as fact as the grade oil which is as fast as the crude oil which is their raw material.

Total, meanwhile, is stepping up its investments in oil and gas production to Fr 7.5bn this year,

with a particularly aggressive approach to acquiring new reserves in North America where it has bought out Lear Petroleum Partners for \$115m and Texas International's oil assets for Fr 750m.

Retailing

An uneven playing field

mated by more general fears of terrorism and by the weakening of the dollar.

The autumn only got worse, as student riots were followed by public transport strikes and a bitter cold spell that disrupted the pre-Christmas shopping period and the January sales. For a while it seemed as though snowboots and woolly sweaters were the only things that would sell out.

Despite these handicaps, however, French retailers have for the most part turned in healthy financial results and seem to be well set for the current year.

At Carrefour, the leading French supermarket chain, profit climbed 26 per cent to FFr 654m on sales 16.5 per cent higher at FFr 51.5bn. Casino, which runs Carrefour second in size and has spread into fast food and petrol station conveni-

which runs Carrefour second in size and has spread into fast food and petrol station convenience stores, raised sales by 7 per cent to FFr 32bn and profits by 23 per cent to FFr 32bn and profits by 23 per cent to FFr 325 5m banking.

Mr Michel Bon, who joined right to sell items such as vital mins and baby milk, which are restricted to chemists' shops. For the time being, at least, the vociferous chemists' lobby appears to have won.

Mr Leclerc, no stranger to hat-

per cent to FFr 32bn and profits by 32 per cent to FFr 352.5m.

Darty, the specialist electrical goods retailer, did even better, with profits up 43 per cent to FFr 260m. It took advantage of a booming electrical market, where white goods sales climbed 11 per cent and brown goods 20 per cent.

Mr Leclerc, no stranger to parbacking in the authorities, has also sought to break the rules on book pricing.

Another retailing group, FNAC, is now campaigning against the 33 per cent rate of walue added tax which France down, the main supermarket chains had in fact run foul of the chains had in fact run foul of the taxes. The store, whose chair-

their struggles over the past central purchasing organisa-year and are still engaged in a tons.

These groupings—Arci, Difra cautious battle with the Government over a number of issues and Serfaal were the three largest—were set up four years ago by a number of major chains

further the programme begun by its socialist predecessor of abandoning price controls. By the end of last year the Government had removed almost all these restraints, some dating back to 1945, and had created a new competition council to ensure fair play in the market-place.

The aim is to let free competition play the policeman over the programme begun by its socialist predecessor of terms from their suppliers by the subpliers by the suppliers by the subpliers by the subpliers by the subpliers by the sudents and yuppies with its low-key marketing and vast range of books, records and video and hi-fi equipment. Now owned by Garantie Mutuelle des Fonctionnaires, a civil servanted, the central purchasing owned by Garantie Mutuelle des Fonctionnaires, a civil servanted, the central purchasing range of books, records and video and hi-fi equipment. Now owned by Garantie Mutuelle des Fonctionnaires, a civil servanted, the central purchasing range of books, records and video and hi-fi equipment. Now owned by Garantie Mutuelle des Fonctionnaires, a civil servanted, the central purchasing range of books, records and video and hi-fi equipment. Now owned by Garantie Mutuelle des Fonctionnaires, a civil servanted by the authorities for engaging in restrictive trade practices.

The aim is to let free competition of the consumer of the consumer of the consumer.

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The aim is to let free competition of the consumer of th

FOR RETAILERS, epecially the prices, with the council Pierre Beregovoy, the socialist big Paris stores, it seemed as investigaing and punishing finance minister, but the verthough the seven plagues of abuses of trade practices and deck of his successor. We

goods 20 per cent. chains had in fact rule foul of the But the retailers have had Government by creating joint

finance minister, but the ver-dict—guilty—landed on the desk of his successor, Mr Edouard Balladur, Faced with though the seven plagues of trade practices and price-fixing agreements.

The wave of terrorist bombs that devastated Paris last summer helped to drive away the American tourists already decimated by more general fears of terrorism and by the weakening of the dollar.

The wave of terrorist bombs that devastated Paris last summer helped to drive away the American tourists already decimated by more general fears of terrorism and by the weakening of the dollar.

Officials at the finance ministry wearily expressed their many retailers still complain

disappeared at the end of 1986, many retailers still complain

many retailers still complain that the Government has not levelled the playing field.

Among the complaints is the continued existence of the Royer law, which closely regulates the opening of new hypermarkets and has led to innumerable supermarkets of 200 square metres, just within 999 square metres, just within the limit at which the law bites. But further disputes have arisen over the areas where the Government has chosen to retain price controls and

restrictions.
Mr Edouard Leclerc, who leads Centres Leclere grouping, has run campaign after cam-paign aimed at winning the right to sell items such as vita-

tapes. The store, whose chairman, Mr Michel Baroin, was killed in an airplane crash earlier this year, is for two months sell-ing its records at the 7 per cent or price controls and the ago by a number of major chains to the tax authorities itself.

The Government of Mr Jacques Chirac has taken a stage further the programme begun by its socialist predecessor of abandoning price controls and the ago by a number of major chains books, making up the difference to books, making up the difference as a means of fighting back to the tax authorities itself.

FNAC, originally set up by two former militant Trotskyists as a camera discounter. The controls are the competition of the competition of the competition against the competition of the competition of the competition against the competition of the competition of



Education

Expansion lacks adequate funding

FRENCH SCHOOLS and univer-wider range of sities have had a year of uphea-val that reflects the difficult decisions now facing the educa-tion system.

Where range of vocations and wider range of vocations and v

tion system.
University students went on strike in November against government plans to make entry to the universities more selective and to raise admission fees.
Though the agitation died down after the Government withdrew the university legislation and the tion system. University students went on

caucaren's enucation of the teacher's unions and to reform the lycees. He suffered a set-back with the damage to the Government's authority caused by the teachers' strike.

He was then faced with wide-

spread stoppages by teachers in primary schools in protest against his proposals to give headmasters more control over headmasters more control over who tackled the longer and the running of their institutions. more specialised subjects at the The primary school teachers' action reflects more wide-spread discontent by the teachers over pay and loss of

status.

Behind these problems lies the dilemma overhanging the education system of how to raise student numbers to provide a more educated workforce at a time when funds are short and qualified teachers cannot be provided immediately.

In the secondary schools, the

In the secondary schools, the saim now accepted by successive strikes in the winter have made governments is to raise the proportion of students obtaining the school leaving examine the baccaloureat—from 37 per cent of an age group to 30 per cent. In the universities the goal and hence to a job. is equally ambitious with an objective of raising the number the evaluation committee of students in higher education showed, enormous wastage from about 1.2m (including the occurs in the first two years of

soin envisaged. The universities Britain.
budget for next year, for By contrast, French universities than 4 per cent.

Britain.
By contrast, French universities put more effort and finance into their research activities

than 4 per cent.

In terms of curriculum and the structure of schooling, the approach beginning to take shape is a combination of more general education backed by a into their research activities where they obtain levels comparable to their major international competitors.

David Housego

after the Government withdrew its university legislation and the minister responsible resigned, it was widespread enough to put paid to any further projects of university reform before the presidential elections.

In the schools, the pugnacious new education minister, Mr Rene Monory set out with bold plans to undermine the grip on children's education of the teacher's unions and to reform back the moment of specialisations as to develop a more general training. You can't allow young people to get smothered by pursuing paths that have no future, particularly when possibilities exist elsewhere. Students must have more possibility of choice. We must also find a balance between the general and technological aspects of secondary education that responds to the

education that responds to the needs of society." In similar vein Mr Laurent Schwartz, the Nobel prize winner who heads the recently formed committee of evaluation for the universities, said recently that selection would be needed to ensure that students universities had suitable qual-

ifications.

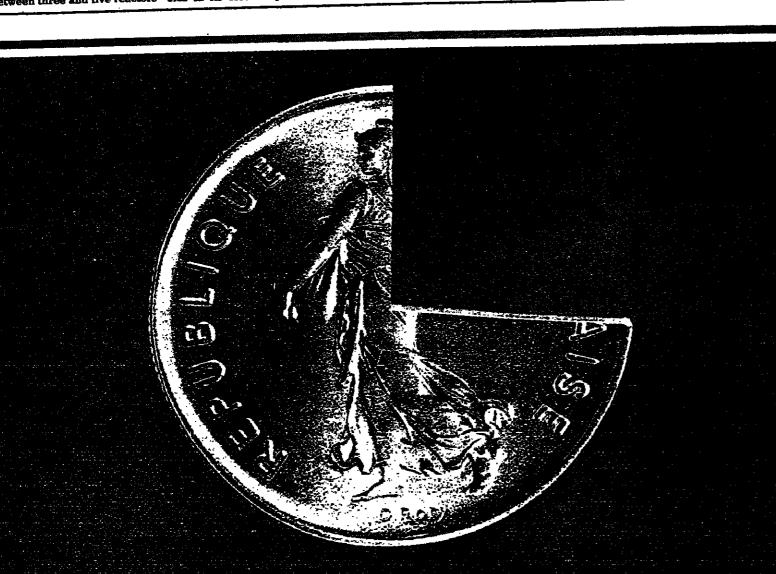
His idea is that the pressure on the universities could be relieved by creating regional colleges that would provide twoyear courses for students not equipped to move to higher

degree courses.

Though both government and teachers are aware of the need for urgent action in the universities if the problems are not to become explosive, the student

But as the report produced by from about 1.2m (including the grandes ecoles) to 2m.

On the financial side, there is increasing talk of preparing spending plans spread over several years to allow institutions to plan more easily their development—but little sign that funds will be made available to meet the scale of expansion envisaged. The universities.



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PEMA 28

Channel fixed link

On the right tracks

A FEW miles outside Calais at A rew miles duside Calais at Sangatte, a small community on the French shores of the Chan-nel, a huge hole is being dug in the ground. It is already more than 30 metres deep and will reach 60 metres by the end of the year or early next year at the latest. From this hole, the tunnellers will start digging next February the new fixed link under the channel

After years of uncertainty, the big cranes around the Sangatte construction site which can be seen for miles around the flat countryside are the tangible sign that finally the tunnel under the channel is beginning to take concrete shape. Although the Eurotunnel project has by no means overcome all its hurdles, it seems in the words of the French transport minister Mr Jacques Douffiagues to be now " on the right tracks."

The main burdles for France have so far come essentially from the British side of the Channel. Unlike Britain, there has never been any serious opposition to a fixed link project in France. Indeed, apart from obvious worries from French channel ports and the ferry services, the French conservative government and the socialist President François Mitterrand have been strong backers of what they regard as being the most important civil engineering project in Europe

of the century. For France, the project will not only represent a major tech-nological and industrial chal-lenge offering long-term economic benefits and immediate job creating opportunities, but will also help reinforce the idea of a unified Europe.

"Tying Britain to the continent as you call it is important politically, economically and socially for Europe as a whole," remarked a right-wing French parliamentarian and partisan of the fixed-link scheme

The economic spinoffs of the £4.7bn Anglo-French tunnel project are expected to be considerable for France. For a start, the scheme is expected to provide large-scale job opportu-nities for one of the most

DOMESTICE!



depressed regions of France, the Nord-Pas de Calais which has been badly hit by the col-lapse of the coal and steel

Unlike the British side of the Channel, this is not an affluent part of France but one which has become economically has become economically discouraged by the problems of its heavy industries. "This in part explains why there as been so little opposition locally to the tunnel in France compared to Britain," remarked one of the Eurotunnel consortium execu-

tives.
"The British side with welloff counties like Kent and Sus-sex is a bit like the UK's equivalent of our Riviera or Cote d'Azur. There is a high density of high and middle income peo-ple worried by the environmen-tal impact of the project. On our side, it's quite the opposite. It's like the UK's industrial north and the tunnel provides some hopes of economic benefits and new jobs," he added.

For France, too, the tunnel will be a major opportunity to develop further its high speed train (or "Train à grande vitesse" (TGV)) technology. The French Government has long pressed to develop a new high

(PARIS

many, Belgium, and the Netherlands as well as London through the fixed link.

The development of the TGV has been one of the big French industrial success stories of recent years. But the French Government has so far found it more difficult to export the TGV concept outside its borders. The fixed-link and the TGV Nord as the proposed new Northern European fast train link is cal-led has thus been seen as France's big chance to promote

its TGV technology abroad.
Indeed, the TGV link remains one of the major hurdles for the complex Channel Tunnel project. Although after much hag-gling, the two state railways— British Rail and the SNCF for France—have reached an important agreement with the Eurotunnel consortium over the charges they will pay for using the tunnel, France and Britain are still at odds over the precise split of rail revenues between the two countries.

Mr Douffiagues, the French transport minister, explained that France felt it should have a greater share of revenues because it will be making heavier investments for the high speed train link. The French speed train network linking argument is that the rail Paris with other northern Euro-pean countries including Ger-reflect equitably the invest-

INTERNATIONAL

*DOMESTIC *

ments made by the rail authorities on either side of the Chan-

Britain at present has taken Britain at present has taken no decision over the size and nature of rail investments between the new tunnel and London. Indeed, the feeling in France is that the minimum will be done initially on the British

As we see it right now is a high speed train running at top speeds between Paris and Calais and through the tunnel to the British terminal. It will then continue to London at only around 80 miles an hour." said a around so miles an nour, said a SNCF official. Although the TGV on the British side will probably become "the slowest fast train in the world," the journey time between Paris and London will none the less be significantly cut to just over three hours. The day a fast link is also established on the British side, the journey will be reduced to under three hours turning the new rail link into a serious rival for the London-Paris air shuttle service.

Despite the current difficul-ties over the Paris-London high speed train link, Mr David Mitchell, the British minister of state for transport, recently con firmed after a visit to the Calais tunnel site that both the British and French railways will soon

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be inviting manufacturers to put forward detailed proposals for the high speed train. Moreover, European ministers are due to meet in October to try to advance the TGV Nord project.

The North European fast speed train network and the link with London are regarded by the promoters of the tunnel project as important to boost the overall investment appeal of the Eurotunnel scheme. For this reason they are hoping that more progress can be made on the railway issues before the consortium's major public equity issue next November.

If a few months ago, the

French partners appeared wor-ried by the prospects of this issue, the mood has become increasingly confident in France. Apart from the railway usage agreement the setting up of new management structures

for the consortium and the appointment of Mr Andre Benard in France and Mr Alastair Morton in Britain as cochairmen of the consortium has helped restore confidence. After the problems of the first

equity placing last year, the French partners and bankers had become increasingly wor ried by the outlook for the big public equity issue this year. This will involve about £675m in November with an additional £75m being raised during the course of the summer in the form of a private placement. But they seemed to be reassured

equity issue should also include an assortment or "cocktail" of different investment vehicles different investment vehicles capacity.

combining straight equity with interest yielding paper has been accepted by the consor
Usinor and Sacilor, the two

Spirits have also been raised by the approval by the Euro-pean Investment Bank (EIB) of a long-term loan of £1bn to Euro-tunnel on commercial terms in May. This is now likely to help accelerate the negotiations between Eurotunnel and a consortium of more than 40 inter-national banks over additional loans and standby credits totalling about £4bn bringing the overall bank financing package including the EIB facility to £5bn.

The so-called "political risk" of the project is expected to be lifted by the end of the summer. The French Government has indicated that the Channel tun-nel bill should have completed its legislative passage in France by the end of June. They have

also been reassured by the British parliamentary decision to v forward the debate on the British Bill after the elections Under the present timetable the French transport minister, Mr Douffiagues, now expects the treaty to be ratified by the end of July.

All these recent develop-

ments have now helped lift some of the big storm clouds which had been hanging over the project. Even though there are still some sceptics in France—a remark often made on the subject by the French is that the tunnel will never be built because the British deep down do not really want to be physically linked to the continent-the financial community seems relatively confident that the public equity issue in November should go smoothly in France despite the competition from the French Government's privatisation programme and signs that the Paris Bourse is beginning to show some signs of nervousness.

Moreover, there is general public consensus in France

over the project. Paul Betts

The start of the fixed link across the Channel at Sangatte near Calais. When the hole is 60 metres deep by next February tunnellers



Steel

Output slimmed further

THE FRENCH steel industry was this time not caught out by the EC Commission's demand for a further 30m tonne cutback European steelmaking

state-owned steel groups, has been saying for some time that more reductions would be necessary to prevent prices being further depressed. He has also indicated that France would be ready for a 2m tonne reduction in hot rolled capacity for flat products out of an esti-mated European excess capacity of 15m tonnes. This would come by slimming output at the three integrated plants at Dun-kirk, Fos, near Marseilles, and

In long products (bars, rods)

But a lot more jobs are likely
the French have equally been to have to follow before
aware that further cuts would restructuring is completed as he be needed as 60 per cent of capacity still comes from costly smelted ore in the Lorraine region which cannot compete with scrap fed electric arc fur-

predecessors in carrying through these cuts is that he now presides over a single state industry as a result of the decision to bring the two groups under a single holding com-pany. Up to now the French steel sector has been burdened

of wasteful competition.

Mr Mer announced that a further 16,000-17,000 jobs would have to go between now and mid-1988 when he presented the new group's accounts for last year in early May. By maintaining a low profile and seeking to find alternative jobs for redun-dant steelworkers. Mr Mer has so far avoided the strikes that have long dogged the French steel industry.

But a lot more jobs are likely

hopes by 1990. The EC Commission has, however, backed pro-posals that he has for some time put forward for additional financial aid to facilitate rationalisation that results in

Mr Mer's advantage over his workforce reductions.

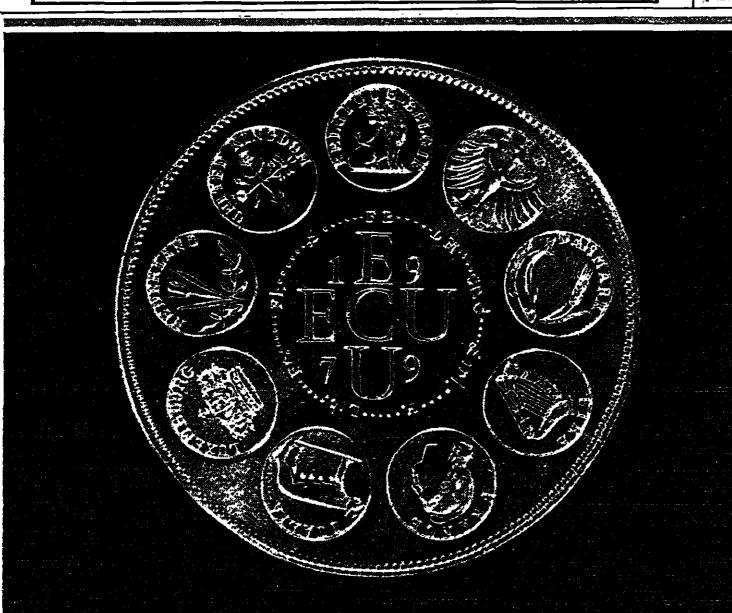
Mr Mer announced a massive FFr 12.5bn net consolidated loss for the two groups for 1986 which includes heavy provisions for restructuring and the writing off of plant and stocks with a duplication of investments and overheads as a result of wasteful competition.

His goal is to make the French industry competitive with the industry competitive with the top tier of Europe's steelmakers over the next three years. But he declines to set any date for a return to profit because of the uncertainties of the steel market

The burden that the French industry carries beyond that of most of its competitors is a FFT 30.5bn long and medium term

If he can show that the group in its new form can stand on its own, his intention then is to turn to the state to seek a substantial

David Housego



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